Chapter 3
Perspectives on Corporate Reputation and Reputation Transfer

Research on reputation refers to the perceptions of a company by its stakeholders, how a company may manage these perceptions, and the effect these perceptions have on the company and its performance (Carter and Deephouse 1999). This chapter focuses on specific definitions of CR and argues the feasibility and sense (or non-sense) of a standardized construct of reputation. Different types of CR measures and the relevance of direct marketing to build CR in a B-to-B context are discussed. The author introduces the method of reputation transfer, before building a bridge between reputation, reputation transfer and different concepts of culture.

CR can be broadly defined as a set of collectively held beliefs about a company's ability to satisfy the interests of its various stakeholders. Bromley (1993) points out that the word reputation has a variety of meanings. Recent studies on corporate reputation have emphasized the plurality of perceptions and representations around a company, referring to "corporate reputation" as a multifaceted rather than a monolithic concept (Dowling 2001; Helm 2007). According to Balmer (1998), the word reputation is derived from the Latin word "reputance" which means "to recon". In German, reputation is a synonym of esteem and renown (Schwaiger 2004). Yet, although the interest in the concept of CR has constantly grown within the last two decades, a precise and commonly agreed upon definition is lacking. Empirical research exploring the drivers of reputation among specific categories of stakeholders, however, is still scarce (Gabbioneta et al. 2007). While the consequences of good reputation have been broadly investigated, research on the formation of judgment among different stakeholders is less abundant. Fombrun and Shanley (1990) observe how stakeholders evaluate companies based on a number of marketing and accounting signals indicating performance, institutional signals indicating conformity to social norms and strategy signals indicating strategic postures. A replication of this research on a different national sample essentially confirmed Fombrun and Shanley's findings (Brammer and Pavelin 2006). In 2004, building on Fombrun and Rindova's (1998) work, Sjovall and Talk draw on cognitive attribution theory in order to develop an interpretation of the formation of observers' impressions about companies. Their findings led to the result that stakeholders tend to pay attention to actions that are

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perceived as important to their interests and values. Stakeholders, then, tend to make inferences about corporate dispositions (their trustworthiness, reliability, social responsibility, etc.) based on observed actions that are interpreted as reflections of the former and/or situational constraints. While Sjovall and Talk's framework increases our knowledge of the mechanisms that underlie the formation of individual evaluation, virtually nothing is known cross-culturally about the relationship between CR and reputation transfer in different stakeholder groups. To find out about the main subject of this work, CR and reputation transfer, the evaluation of different definitions and measures of CR is essential.

In recent publications, CR has generally been interpreted as a stakeholder-related construct (e.g., Helm 2007; Eberl 2006; Carter and Deephouse 1999). Stakeholder literature refers to methods that organizations can use to assess and deal with external and internal groups on a given issue (Mahon and Wartick 2003). Stakeholder theory recognizes that various stakeholders – important groups that affect and are affected by a company, such as customers, suppliers or employees – may have different expectations of a company. Freeman's (1984) exposition of stakeholder theory directed managerial attention to the variety of individuals and groups that influenced, and were influenced by, a company. Stakeholder theory recognizes that different stakeholders may have different expectations of a company (Freeman 1984; Donaldson and Preston 1995). In line with this theory, Bromley (2002, p. 36) claims that commercial and industrial companies "have as many reputations as there are districts in social groups". These conflicting expectations lead to the development of multiple reputations as perceived by these groups (Carter and Deephouse 1999). Regarding stakeholder groups of suppliers and customers, it is not always possible to satisfy every stakeholder and have a favorable perception of a company's reputation from each. Inconsistent perceptions of a company's reputation may be held by different stakeholders (Zinkhan et al. 2001; Dowling 2001; Carter and Deephouse 1999). As for smaller or not widely known companies, in contrast, corporate reputations depend on the relatively homogeneous social networks of communication (Bromley 2002). This fact is also appropriate to the CR of widely unknown B-to-B companies.

Thus, empirical evidence on stakeholders' perception of CR is weak (Eberl 2006; Helm 2007) and even weaker in cross-cultural contexts (Gardberg 2006; Walsh and Wiedmann 2004). Following the literature, CR can be categorized in (Table 3.1) as follows:

Rowley (1997) incorporated a network perspective in stakeholder theory by recognizing that the company and its stakeholders are embedded in a set of relationships with different actors. This may be one reason why a company's reputation matures and develops over time. In line with Walsh and Beatty (2007) and MacMillan et al. (2005), CR implies:

- That different stakeholder groups may hold different views of the same company's reputation based on their own needs, economic, social, and personal background (Fombrun 1996; Zinkhan et al. 2001)
- And is enhanced in this study by the empirical investigation on the impact of a different cultural background on CR

Table 3.1 Categorization of reputation. Enhancement based on Fombrun and van Riel (1997)

Discipline	Categorization of reputation
Accountancy	Intangible asset (e.g., Barney 1991; Hall 1992; Grant 2002; Gabbioneta et al. 2007).
Economics	Sustainable competitive advantage (e.g., Deephouse 2000; Eberl 2006; Roberts and Dowling 2002; Zabala et al. 2005)
Marketing	Viewed from a customer's or end-user's perspective, concentrated on the development process of reputation (e.g., Fombrun et al. 2000; Williams et al. 2005; Helm 2007; Eberl 2006)
Organizational behavior	The perception of the organization held by an organization's internal stakeholders
Sociology	Aggregate assessment of a company's performance relative to expectations and norms in an institutional context
Strategy	Viewed as asset and mobility barrier (e.g., Griffith et al. 2006)

The definition of Fombrun et al. (2000, p. 243) of CR as "a collective assessment of a company's ability to provide valued outcome to a representative group of stakeholders" is not overall suitable, as it is focused on the positive and valued outcomes (Bromley 2002). As CR is also influenced by cultural and ethical evaluations, a further definition must also permit the attribution of negative or undesirable characteristics.

The subsequent sections focus on the definitions of CR and reputation transfer in economic science, where the emphasis is placed on the B-to-B context and a stakeholder-related definition of CR. Different clusters of meanings highlight the analysis of the concepts of reputation and reputation transfer. In detail, the next chapters will:

- Introduce the concept of CR within the context of relationship marketing
- Give an overview of actual definitions of CR
- Review different measurement concepts of CR
- Introduce the concept of reputation transfer
- Review actual cultural frameworks
- Investigate the impact of Hofstede's cultural values on stakeholders' attitudes toward the development of trust, use of media, innovations and relationships in the countries included in this research work

Past research indicates how good reputation draws customers to a company's products and enhances repeat purchases, improves a company's ability to recruit top people, and makes it a better candidate for favorable treatment by the media (Fombrun 1996; Fombrun and van Riel 2004). The aim of this work is to extend our knowledge of the method of reputation transfer by investigating the drivers of corporate reputation among a specific group of stakeholders: organizational buyers.

3.1 Perspectives of Relationship Marketing

Since being recognized as a separate field of inquiry over 80 years ago, marketing has made enormous strides in terms of becoming a scholarly discipline. The definition of marketing has evolved and changed throughout the last decades. To Kotler and Keller (2006, p. 6), marketing is "a societal and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products and services…". This chapter gives a short overview of two different theoretical approaches of relationship marketing (RM) and defines the outline of the research context of this study.

Today, marketing practice is related to the retention of customers and the management of relationships, also extending beyond the buyer-seller dyad to include partners through the value chain (Day and Montgomery 1999; Webster 1992; Morgan and Hunt 1994). RM has substantially influenced marketing theory and has become an important issue in this field (e.g., Palmatier et al. 2006). Several studies in both business-to-consumer (B-to-C) and B-to-B contexts suggest that there is considerable customer heterogeneity in relationship behavior. The belief that RM investments build more trusting customer relationships (Morgan and Hunt 1994) and improve financial performance has led to massive spending on RM programs (Palmatier et al. 2008). The RM concept was defined by Berry (1983, p. 25) as "attracting, maintaining and (…) enhancing customer relationships." Morgan and Hunt (1994, p. 22) define RM as "all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges." Stone, Woodcock and Wilson (1996, p. 675) refer to the goals and benefits: "Relationship marketing is the use of a wide range of marketing, sales, communication, service and customer care approaches to

– Identify a company's individual customers
– Create relationships between the company and its customers that stretches over many transactions
– Manage that relationship to the benefit of the customers and the company."

In the context of industrial marketing, Jackson (1985, p. 2) describes RM as "marketing oriented toward strong, lasting relationships with individual accounts." Doyle and Roth (1992, p. 59) indicate that "the goal of relationship selling is to earn the position of preferred supplier by developing trust in key accounts over time." There is wide agreement that the concept of RM is different from traditional or transactional approaches to managing exchanges. Given the contextual character of marketing knowledge (Sheth and Sisodia 1999), there is no "general theory" of RM. Their concept of RM is built on three distinct, interrelated, theoretical approaches:

- The *behavioral perspective* of relationships refers to relational constructs like trust and satisfaction, and the conceptualization and economic evaluation of customer retention (e.g., Morgan and Hunt 1994).

- The *network approach* focuses on the interactive character of relationships in the field of B-to-B marketing and takes an interorganizational perspective (i.e., Håkansson and Snehota 2006) with reference to the development of intercompany relationships.
- The *new institutional economic approach* uses modern economic theories to explain the development and breakdown of relationships like transaction cost theory (e.g., North 1990) and agency theory (scholars in the field of marketing and organizational behavior include, among others, Basu et al. 1985; Eisenhardt 1985). RM in this context is seen as a question of matching particular relationship dimensions to the situation, with the overall goal of minimizing the costs of structuring and managing a given relationship.

According to the findings of Coviello et al. (2002), a more pluralistic conceptualization of marketing is required. They evaluated four aspects of marketing, classified by exchange and managerial dimensions:

- Transaction Marketing refers to economic transactions: The impersonal managerial focus is set on products or brands and formality in exchange.
- Database Marketing is based on information and economic transaction; the personalized managerial focus is set on products, brands or customers in a target market.
- Interaction Marketing is related to the interactive relationships between a buyer and seller; the interpersonal managerial focus is based on commitment, trust and cooperation.
- Network Marketing is a connected relationship between companies in which contact may vary from distant to close; the managerial focus is related to connected relationships between companies in a network.

According to Coviello et al. (2002, p. 42), the broad concept of RM is “redefined to reflect three separate constructs: database, interaction and network marketing.” Their findings also support the assumption that B-to-B and service marketing are different from consumer and goods marketing. In 2002, database and network marketing were implemented and used with companies to a lesser degree. Nevertheless, since then, the network economy has been constantly growing.

Located in the field of direct marketing, this study is focused on organizational relationships, concentrating on the enlargement of the commitment-trust theory as well as the resource-based and knowledge-based views and conceptualizing customer retention. Understanding the nuances of the behavioral perspective of relationships in comparison to interaction marketing, instead of trying to find new clusters, may lead to a new strategic view of the goals of relationship marketing. In the author’s opinion, a state-of-the-art approach in relationship marketing comprises personalized database marketing, which includes knowledge about the cross-cultural use of direct marketing media in certain stakeholder groups, as well as interaction marketing.

3.1.1 Organizational Buying Behavior and the Impact of Reputation

As already discussed, this work has its emphasis in RM in the B-to-B context and is closely related to the stakeholder group of organizational buyers. This subsection gives a short overview of the characteristics of organizational buying behavior and highlights the possible impact of CR.

Although in Western-type countries, the turnover in investment and industrial goods is four times as high as the turnover in consumer goods industries (Federal Statistical Office). The companies involved in this business are hardly ever known to the public.

As an example, let us think about two of the world's best-known companies: In the industrialized world, nearly everybody knows Coca-Cola and McDonald's, but who knows anything about companies supplying Coca-Cola with the colorants or McDonald's with the packing materials? Thus, the reputation of these B-to-B companies also plays an important role with regard to risk reduction of purchasing decision, customer relationship management and marketing strategies (Dowling 2001).

Purchasing decisions are not only made by individuals, but also by organizations. Raw materials, product components or machine equipment, spare parts, services, or commodities are internationally purchased by smaller or larger buying organizations (Webster and Wind 1972). A group of employees responsible for purchasing products for an organization is the "buying center".

If products today are more or less comparable, how can buying organizations differentiate between them? Perceived or cognitive differentiation is "the ability of individuals to perceive differences in the features of a stimulus object and to make fine distinctions between that object and others" (Zinkham and Munderrisoglu 1985). Customers must be aware and subjectively convinced of a certain advantage of a brand, a product or a service (Webster and Wind 1972). A supplier does not necessarily have to produce high-tech products, as long as this attribute is valuable and useful to its customers and their perception of this attribute related to this brand or product is dominant. A certain degree of formalism and individualism, as well as multi-organizational decision making, long-term relationships and a high degree of dynamic interactions between deciders, buyers and sellers determine the derived demand of organizations (Webster and Wind 1972; Kleinaltenkamp 2000).

As Håkansson and Snehota (1989, p. 187) note, when it comes to B-to-B, "no business is an island", referring to the interdependency of most B-to-B markets, in which business relationships of one sort or another are inevitable. The pioneer work of Naudé and Holland (1996) led to the development and application of relationship theory in the B-to-B sector, which refers to marketing concepts associated with long-term relationships. Håkansson and Snehota (2000) focus marketing research in the B-to-B setting on four cornerstones:

- Relationships exist between buyers and sellers.
- Business relationships are connected by networks.

- A relationship is a combination that includes elements of both market and hierarchy.
- Relationships are confrontational and therefore innovative.

To explain the differences between industrial marketing and B-to-B marketing, Fig. 3.1 shows the different steps involved in the markets for industrial goods, consumer goods and goods sold and purchased in B-to-B markets. Manufacturers can sell their goods directly to buying organizations through sales representatives or to wholesalers. The main difference between industrial marketing and B-to-B marketing is that the focus is not only on professional buyers. It is essential that the users of the goods are also included in the direct marketing approach of a company.

In the literature, industrial marketing, industrial goods marketing and investment goods marketing are often used synonymously (Backhaus and Voeth 2007; Ahlert et al. 2003). These types of marketing are exclusively concentrated on the marketing of goods and services which are not intended to be sold to wholesalers. On the other hand, B-to-B marketing also includes marketing activities to wholesalers, retailers and buying organizations (Webster and Wind 1972).

B-to-B relationships are characterized by an exchange between two or more parties (Backhaus and Voeth 2007). Research has identified several factors that enhance marketing and management in business relationships: commitment and trust, shared values and open and honest communication (Webster and Wind 1972). RM in international B-to-B relationships is more complicated to maintain because of language barriers and cultural differences (Friman et al. 2002).

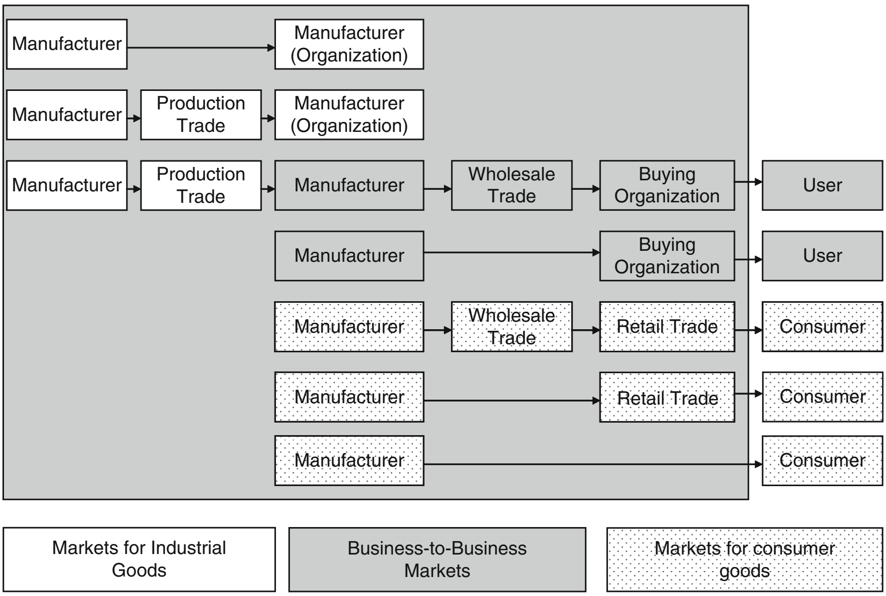

Fig. 3.1 Differences between B-to-B and B-to-C markets, Enlargement based on Backhaus/Voeth (2007) and Plinke (1999)

The buying decision-making process of an organization is characterized by the involvement of multiple individuals. Buying decision rules or standards may be applicable, and purchases occur as a result of derived demand (Backhaus and Voeth 2007). Differences in organizational transactions can be focused on the decision-making units (users, influencers, deciders, gatekeepers like secretaries, and buyers). For business companies, the buying objective is usually to increase profits by reducing costs or increasing revenues. Organizations often employ people who are professional purchasing agents and who are specialists at finding what their employer needs. Taking into consideration this special customer relationship, is it nevertheless possible to use CR as a competitive advantage and reputation transfer as a tool for an easier market entry?

Trust and commitment in B-to-B relationships are important, although the basic conditions between organizational buyers and suppliers are characterized by buying decision rules and derived demand: A positive reputation of the supplier and a trustful relationship between buyer and seller are ideal conditions for an easier market entry of new products.

Critical to a long-term buyer-seller relationship is a good understanding between partner companies. Friman et al. (2002) discuss the importance of knowledge and stress that acceptance of one another's organizational cultures is crucial to successful business relationships.

3.1.2 Commitment and Trust in Organizational Buying Behavior

Trust, the willingness to rely on an exchange partner in whom one has confidence (Morgan and Hunt 1994), can be described as an expectation about the other party's honesty and benevolence (Ganesan 1994). As business partners repeatedly interact with one another, trust may develop (Friman et al. 2002). This trust permits the buyer to make a commitment to a single source whose prior behavior has been satisfactory, with the confidence that this supplier will continue to perform in a similar manner. Ganesan (1994) claims that trust and dependence play key roles in determining the long-term orientation of firms in a relationship, and both are related to environmental uncertainty, transaction-specific investments, reputation, and satisfaction in a buyer-seller relationship.

Trust has always been an essential part of healthcare within the relationships between staff, management (Firth-Cozens 2004; Witzel 2006) and partner organizations. Organizational trust is defined as the extent to which one is willing to ascribe good intentions to, and have confidence in, the word and actions of other people (Cook and Wall 1980). In the literature on organizational trust, the act of trusting on the part of managers is almost never considered (Firth-Cozens 2004). Customer satisfaction and customer loyalty are seen to be influencing factors of organizational buying decisions (e.g., Homburg and Krohmer 2006). Satisfaction may develop through personal experience or, less directly, through opinion and the experience of

peers, related to the perceived standard of delivery or product quality, and may also depend on the duration of the relationship (Swaminathan and Reddy 2000).

The development of purchasers' commitment refers to the motivation to stay with a supplier: a strong belief in and acceptance of the organization's goals and values, a willingness to exert considerable effort on behalf of the organization and a strong desire to remain in the relationship with the supplier (Porter et al. 1974; Moorman et al. 1992; Friman et al. 2002). Nevertheless, especially purchasers in organizational markets often face switching costs resulting from the fact that they have made a commitment to a certain technology product (i.e., all syringe pumps used in one hospital are bought from one supplier), or a certain buying organization (which may purchase products for more than 100 hospitals).

Organizational commitment, unlike satisfaction, is a relatively stable attitude. In various industry settings, a non-opportunistic and flexible nature of customer orientation has been found helpful to develop customer trust and commitment and thereby generate a competitive advantage for the supplier (Farrelly and Quester 2003; Saparito et al. 2004; Williams 1998). To reduce supply chain costs, hospitals no longer negotiate their contracts with their suppliers; instead, designated buying organizations are in charge. This may lead to the development of calculative commitment between buyers and suppliers. With regard to organizational buying behavior, calculative or continuance commitment can be caused, for example, by signing long-term purchasing contracts between numerous hospitals and buying organizations. In this connection, de Ruyter, Moorman and Lemmink (2001) propose to define commitment as a calculative act in which costs and benefits are examined.

It can be distinguish between two types of commitment: affective commitment expresses the extent to which customers like to maintain their relationship with their supplier, whereas calculative commitment refers to a company's motivation to continue the relationship because it can not easily replace its current supplier (Allen and Meyer 1990).

3.2 Defining Corporate Reputation in B-to-B Relationships

Although interest in the concept of CR is constantly growing, a precise and commonly agreed upon definition is still lacking (Barnett et al. 2006; Helm 2007). In addition, limited attention has been paid to the extent to which reputation encompasses various stakeholders' perceptions that may have different effects on the positive economic outcome associated with the possession of a favorable reputation (Eberl 2006; Helm 2007).

Reputation is viewed mainly as a valuable, intangible asset that provides a company with competitive advantages (Barney 1991; Roberts and Dowling 2002; Zabala et al. 2005), unless it is a positive reputation. CR influences stakeholders' economic choices (Fombrun 1996; Deephouse 2000; Rindova et al. 2005; Barnett

et al. 2006). More than 10 years ago, Fombrun and van Riel (1997) identified several distinct views of reputation, including economics, strategic, marketing, organizational, and accounting, each with its own traditions of defining the concept and conducting research.

To ask people about a company's reputation in the B-to-C context is simple: Awareness and visibility of a company's reputation in this context is often associated with a positive reputation (Gardberg 2001, 2006). The more a company is known and visible, the better people are able to judge its reputation, based on past and planned actions the company has taken. Fombrun (1996, p. 72) defines CR as: "A corporate reputation is a perceptual representation of a company's past action and future prospect that describes the firm's overall appeal to all of its key constituents when compared with other leading rivals." Under this definition of CR, only affective reactions are integrated and cognitive components are excluded (Schwaiger 2004). According to Gray and Balmer (1998), CR is a valuation of a company's attributes, performed by the stakeholders, which almost excludes affective components.

In the context of B-to-B relationships, CR is considered as a general, spanning information substitute (Homburg and Krohmer 2006), evaluated by interested stakeholder groups. A good or bad reputation of an organization is determined by the signals that it gives out about its nature (van Riel 1995):

- It influences stakeholders' economic choices (Benjamin and Podolny 1999; Deephouse 2000) and may have a positive impact on a company's financial performance (Fombrun and Shanley 1990; Podolny 1993; Roberts and Dowling 2002).
- It is defined as a collective representation of a company's past behavior and outcomes that depict its ability to render valued results to multiple stakeholders in the future (Fombrun and Rindova 1998).
- It can be viewed as one of a set of organizational constructs, just like identity, image and learning, which are parallel, individual, level constructs (Gardberg 2006; Bromley 2000; Whetten and Mackey 2002).
- Positive CR makes it easier to charge premium prices by signaling product quality (Klein and Leffler 1981; Fombrun 1996), attracting better job applicants (Stigler 1962) and facilitating access to capital markets (Beatty and Ritter 1986).
- A favorable reputation can generate higher returns for companies by building mobility barriers against industry rivals (Caves and Porter 1977).

All the above-listed benefits are provided through CR by signaling information about past and future activities (Fombrun 1996). According to Lewis (2001, p. 31), CR "is the product, at any particular moment, of a fermenting mix of behavior, communication and expectations". At a strategic level, reputation is often viewed as a key, intangible asset of a company that helps to create value (Zabala et al. 2005; Roberts and Dowling, 2002) and explains certain facets of the performance of the company. Intangible assets are often associated with share price, and market assets such as customer loyalty are often linked to cash flow. Both concepts lead to value creation (MacMillan et al. 2004).

According to Dowling (2001), for companies in the risk management business such as pharmaceuticals and medical devices, CR is doubly important, as these companies have to rely on the trust of their customers. Wiedmann and Prauschke (2005) define CR as an overall stakeholder relationship variable and claim that the concept of CR can be either a market asset or a mediator or moderator between internal, intangible assets and market assets. Therefore, CR, as a determinant of corporate success, is a market asset.

To the author's best knowledge, no attention at all has been paid to differences in influencing factors on reputation in the B-to-B context compared with the B-to-C context. This may be one reason why, even today, there is a problem of defining the concept of CR (Barnett et al. 2006). According to the literature, even precisely distinguishing CR from corporate identity and corporate image seems to be difficult (e.g., Barnett et al. 2006; Helm 2007).

3.2.1 Reputation, Corporate Identity and Image

Following Fombrun and van Riel (1997), CR is often labeled "brand image" and focuses on the nature of information processing.

The role of corporate image and reputation has been studied in terms of its conceptualization, antecedents, and consequences (see reviews by Biehal and Sheinin, 2007). Empirical studies confirm the power of a corporate brand and the relationship between corporate branding and corporate reputation (e.g., Argenti and Druckenmiller, 2004). Balmer (1998, p. 963) postulates that "the key to acquiring a favorable image and reputation is the management of an organization's identity [. . .]." Reviewing the literature, the most fundamental barrier to the creation of one definition is the confusion concerning the concepts of identity, image and reputation (e.g., Barnett et al. 2006; Eberl, 2006; Helm, 2007; MacMillan et al.; 2004; Money and Hillenbrand, 2006).

Subsequent studies have measured the benefits of well-managed corporate identity, and have thus concentrated on the concepts of corporate image and reputation. In 1960, Bristol (p. 13) defined corporate image the way Fombrun defines corporate reputation today: "It is in all essentials, merely the picture which your organizsation has created in the mind of your various publics." Bevis (cited by Bernstein 1984, p. 125) defined corporate image as ". . . the net result of interactions of all the experiences, impressions, beliefs, feelings and knowledge that people have about a company." Fombrun and van Riel (1997) sought to subsume image and identity with reputation, as image and identity, from their perspective, are the basic components of reputation. According to Dowling (2001), corporate image (CI) refers to stakeholders' overall evaluation of the qualities associated with the company, and the emotional reaction those qualities produce. Dowling also links a company's image to its perceived ability to meet the needs of the stakeholders.

The term image is defined as the subjective attitude and impression a person has with regard to a certain object, in that the image is able to replace the missing

information about a product if the brand is known. (Kroeber-Riel and Weinberg 2003, Mayer and Mayer 1987). For this reason, image plays an important role in the behavior and the decision process of the customer. The following image functions are part of this decision process (e.g., Kroeber-Riel and Weinberg 1996; Mayer and Mayer 1987):

– knowledge function
– ego defensive function
– value expression function
– adjustive function

Burmann, Schaefer and Maloney (2008) also discuss the impact of the industry image, not only on the perception of potential investors but also on other relevant stakeholders of corporate brand management.

The following Fig. 3.2 outlines the different approaches to defining CI and CR separately. Unfortunately, even measurement concepts of CI do not differentiate the wording correctly. Presenting measurement concepts of CI, van Riel, Stroeker and Maathuis (1998) claim that a "good reputation" is an influencing factor of CI. Falkenreck and Wagner (2008) extend the cluster of defining CR of Schwaiger (2004), Eberl (2006) and McMillan et al. (2005) by not only referring to relationship drivers like commitment, trust and knowledge resources: Their findings additionally highlight and confirm the impact of national culture on CR.

Similarly to Foreman and Whetten (1994), van Riel (1995) claims a possible multiplicity of organizational identity. He developed a method to access organizational identities that focused on the design of a branding strategy and distinguished four identity strategies depending on the degree of endorsement that the business

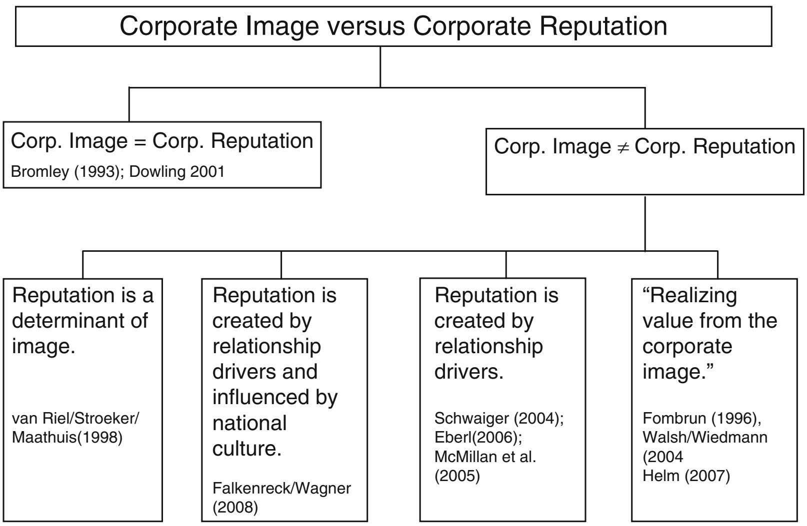

Fig. 3.2 Different clusters of definitions of image and reputation

unit label uses. These range from “low degree of parent visibility”, and “low identification with parent brand” to “high parent visibility”, and “high identification with corporate brand level”. According to van Riel (1995), the last approach requires a strict coordination of communication strategy to show the strength of the group, whereas a low degree of parent brand visibility leads to greater autonomy at the business unit level.

The next Fig. 3.3 the author summarizes the link between corporate identity, image, culture, buying behavior and CR in B-to-B settings: In line with Bruhn (2004), corporate identity and corporate image of the company and its products are interactive. In addition, this study claims that corporate identity is also influenced by the culture of the parent company and the culture of its international stakeholders. Through direct marketing media, or WOM, the image of a company or its products influences organizational buying behavior.

Corporate image generates CR, and CR determines how a company is perceived by its stakeholder groups.In the context of Fig. 3.3, the author defines CR as

- The “net” affective or emotional reaction of stakeholders in the B-to-B context.
- CR-influencing features in this context are exclusively linked to relationship drivers and
- Are influenced by the national culture of the different stakeholder groups.

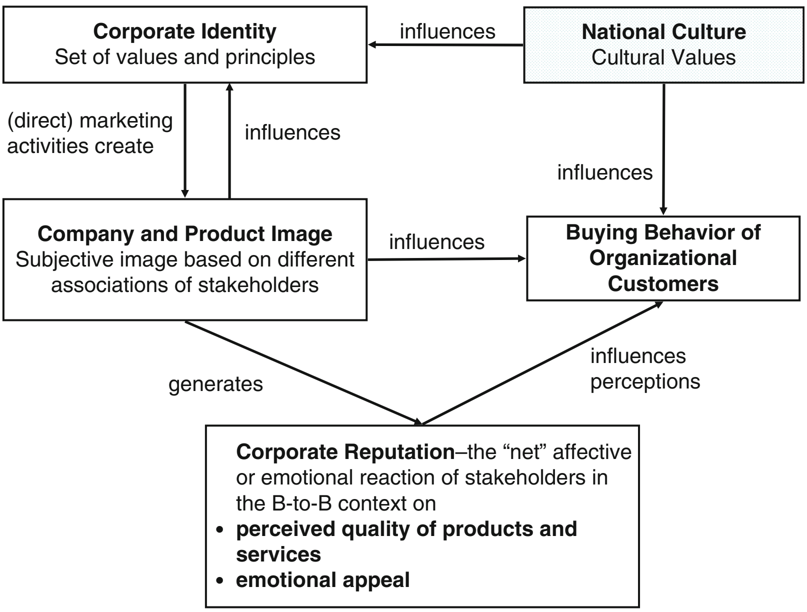

Fig. 3.3 Linking identity, image, culture, buying behavior and reputation

3.2.2 Reputation vs. Brand Identity, Brand Imagery and Brand Equity

According to Aaker (1991, p. 7), a "brand is a distinguishing name and/or symbol (such as a logo, trademark, or package design) intended to identify the goods or services of either one seller or a group of sellers, and to differentiate those goods or services from those of competitors." Powerful brands create meaningful images in the minds of consumers (Keller, 2003), with brand image and reputation enhancing differentiation, and this could have a positive influence on buying behavior (Gordon et al. 1983; McEnally and de Chernatony 1999). While the power of branding is widely accepted in consumer markets, knowledge of the nature and importance of branding in industrial markets is limited (Kuhn and Alpert 2004). Rosenbroijer (2001) claimed that in the sales-dominated nature of the industrial marketing environment, it is important that brands have no place in the B-to-B context. Others are of the opinion that brands are nevertheless valuable in such an environment (e.g., Gordon et al. 1993; Low and Blois 2002; McDowell Mudabi et al. 1997). Fournier (1998) argues that brand realtionships have many of the characteristics of human interpersonal relationships, including commitment or attachment. According to Aaker (1991), while deciding between industrial purchase alternatives, the decisive factor can be influenced by what a brand means to the buyer. Thus, a company's reputation can also be a decisive factor with regard to industrial purchase alternatives.

Brand equity is the effect that brand knowledge has on consumer response to the marketing of a brand (Keller 2003). This effect can only occur when the brand is known and when the customer possesses favorable, strong and unique brand associations. This can be triggered through the initial choice of the brand identity (brand name and logo) and through the integration of brand identities into the supporting marketing program.

The idea of branding has been increasingly extended from products to corporations. Keller (2003, p. 83) defines brand imagery as referring "to a more intangible aspect of the brand", how people think about a brand in abstract terms, rather than what the brand actually does. Imagery associations can be formed directly (own experience and contact with the brand) or indirectly (e.g., communicated through advertising or by word of mouth). In a B-to-B setting, user imagery can be related to the size or type of organization. User imagery may also be focused on the perceptions of a group as a whole (Keller 2003). A number of different types of associations related to either performance or imagery may be linked to a brand (Keller 2003). Regardless of whether the corporate branding is focused on the corporation itself, it derives from an alignment between strategy and communication (Forman and Argenti 2005).

Brand associations make up the brand image. Keller (2003, p. 87) argues that to "create brand equity, it is important that the brand has some strong, favorable and unique brand associations." Brand awareness refers to linking brand elements, the brand name, logo, packaging, product jingles and slogans, to the brand associations in the memory of the user. According to Keller and Sood (2003), brand elements make up the brand identity; therefore, they are important to enhance brand

awareness and facilitate the formation of brand associations. In the B-to-B context, studies now show that brand awareness plays a less important role than suggested by Keller (2003). In their study, Kuhn and Alpert (2004) tried to transfer Keller's model for building brands empirically to the B-to-B context. Their findings do not support some of Keller's brand equity building factors. In their Australian B-to-B study, organizational buyers care less about product slogans or brand names, but more about the company itself and its products. Caring about the company itself means caring for its reputation (Fombrun 1996).

Although often unavailable in the consumer market, the sales force is a major brand-building tool in the B-to-B setting (Gordon et al. 1993). Purchase choice can therefore also depend on the company's people. The study of Kuhn and Alpert (2004) confirmed that Australian customers identified with manufacturer brands and spoke about relationships with company representatives rather than products. Respondents of their study mentioned their positive relationships with company representatives, but in no way expressed a sense of community or engagement. Brand resonance and brand feelings also do not seem to be evident among the organizational buyers surveyed. Keller's (2003) brand building block model lacks relevance in the B-to-B market investigated in Kuhn and Alpert's study. In discussing their experiences, respondents referred to the product functionality and tangible product information as reasons for purchasing. This outlines the difficulties of transferring the theoretical brand building process unchanged from B-to-C to B-to B contexts. The purchase decisions in the study of Kuhn and Alpert (2004) were involved in tender processes, and are therefore comparable to the setting of the study underlying this work. According to Argenti and Druckenmiller (2004), branding and reputation are closely linked, if they refer to corporations.

Careful management of a corporate brand can enhance reputation by guiding a company's actions (Forman and Agenti 2005). Bergstrom, Blumenthal and Crothers (2002, p. 133) claim that a "brand is the sum total of all perceived functional and emotional aspects of a product or service [. . .]." Brands can be sold, balanced or trademarked. Most marketing literature deals with the endorsement of one brand by another brand in the same product category (image transfer by line extensions, e.g., Aaker and Keller 1990; Park et al. 1991), products complementing one another or linking organizational associations to product associations (Keller 2003). Reputations are the product of relationships between organizations and the general public (Dozier 1993), influenced by internal and external elements. Leading companies understand that a strong reputation is not built overnight. It is an ongoing process that involves rigorous measurement and tracking as well as creative strategies for engaging with stakeholders (Fombrun 2008).

As Fig. 3.4 shows, a strong link between brand performance and CR is essential, since the brand is the promise and the reputation is the external evaluation of whether or not the company is delivering on this promise (Fombrun 2008). Just as branding is closely related to CR, so is corporate communication (CC). Fombrun and Rindova (1998) point out that communication benefits do not only result from the frequency of communications: As communications make a company more transparent, stakeholders know more about the company's operations and goals.

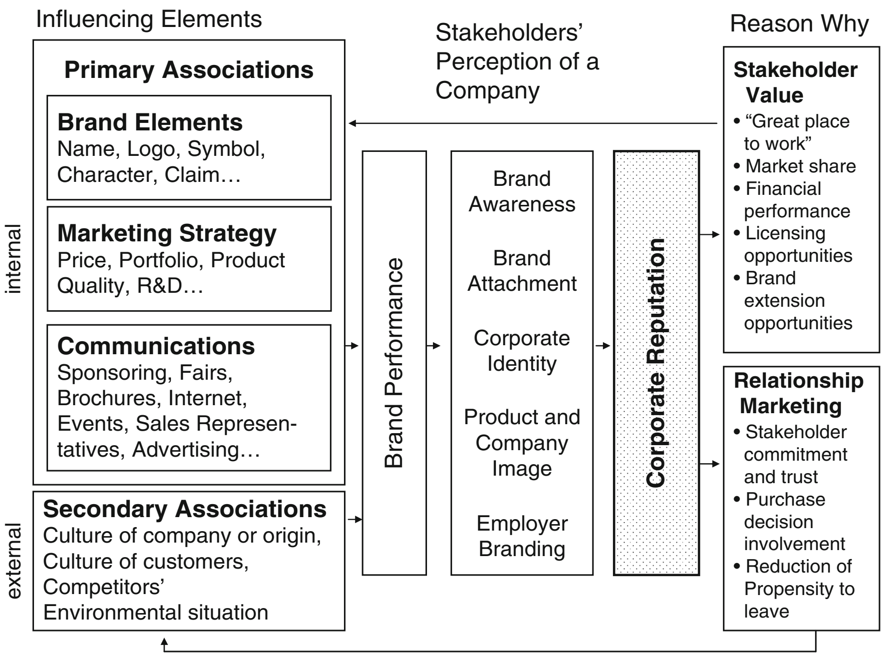

Fig. 3.4 Linking influencing elements of stakeholders perception

3.3 A Standard Construct of Reputation–Useful and Appropriate?

As Larkin (2003, p. 5) pointed out, "The biggest hurdle in making the case for building, maintaining and managing reputation is how to measure it effectively." A large body of academic literature is concerned with the conceptualization and measurement of CR. This chapter offers an overview of this issue.

The abstract construct of reputation is difficult to measure in a mathematical way. Thus, it is difficult to define conceptualization and measurement of CR (Sandig 1962; Money and Hillenbrand 2006; Eberl 2006; Helm 2007). Due to the increasing awareness of the value of the concept to both practitioners and scholars (MacMillan et al. 2005; Fombrun and van Riel 2004; Bromley 2002), more measurement concepts of CR have emerged. Recent reputation studies (Fombrun and Shanley 1990; Cordeiro and Schwalbach 2000; Wartick 2002; MacMillan et al. 2005) and formative versus reflective measurement concepts (Eberl 2006; Helm 2006, 2007) provide some insights into the relationship between stakeholder-specific activities and the problem of measuring corporate reputation.

On the one hand, due to the variety of measurement concepts and definitions of CR, researchers (e.g., Money and Hillenbrand 2006; Helm 2007) assert that

companies do not know what reputation measures they should use in which circumstances and what aim and value the different models offer. On the other hand, Bennett and Kottasz (2000), as well as Waddock (2003), claim that the need for a valid measurement concept of CR is just applied pressure of the practitioner world. How useful are CR measurement concepts, if they can not be used by practitioners to answer strategic questions?

Is it possible to standardize measurement of CR even if there is not a precise and commonly agreed upon definition (Barnett et al. 2006)? Some authors supporting the perceptual view of reputation doubt that the diverse reputations of a firm are comparable. Dowling (1988, p. 28) states that investigations of reputation call for an adaptive approach: "It is necessary to customize this set of factors (and attributes) used to describe a company (. . .). The role of people and their norms and values will determine which types of factors should be selected". He concludes that a measurement model for reputation needs to be adapted to each stakeholder group. Unfortunately, this makes it impossible to compare the results.

Other research approaches show that financial performance, which is often analyzed within the context of CR (Deephouse 2000, does not have a decisive impact on reputation at all (Helm 2007). As suggested by Gatewood et al. (1993), inconsistent perceptions across stakeholder groups might be attributed to different correlates of reputation, whereas consistent perceptions indicate that reputation is a general construct. In the first case, reputational analysis needs to be limited to specific roles of a firm: reputations such as a firm's reputation as a supplier, as an investment choice, or as an employer.

Studies describing organizational identity are primarily based on input from organizational members. Most studies examine the identity of the organization as a whole (Bernstein 1986; Atamer and Calori 1993; Foreman and Whetten 1994, Gioia and Thomas 1996), whereas others consider that an organization has multiple identities or reputations (Helm 2007; Dowling 2001; van Riel 1995; Gustafson and Reger 1999). Regarding research work on CR, authors normally focus on one to three stakeholder groups in one country. For example, Helm (2007) and Eberl (2006) concentrate on customers, shareholders and employees in a German B-to-C setting. Both researchers use different constructs of CR.

Bernstein (1986), together with a focus group of top managers concluded that organizational identity is influenced by the following dimensions: value for money, technical innovation, service, social responsibility, reliability, imagination, quality and integrity.

The following sub-chapters focus on actual measurement concepts of CR. As an introduction to the various concepts, the first type of CR measurement is presented: league tables outline the score of the "most visible" or "most admired" companies. On a more strategic level, the reputation models of Fombrun et al. (2000, Sect. 3.3.2), Gardberg (2006, Sect. 3.3.3) as well as Walsh and Wiedmann (2004, Sect. 3.3.3) provide information on the use of a "Reputation Quotient" (RQ). The RQ model suggests to understand the beliefs of individuals as well as stakeholders regarding an organization's reputation impact on their attitudes in terms of the emotional appeal that people feel toward a business (Money and Hillenbrand 2006).

A different approach on the measurement of CR is provided by MacMillan et al. (2005) and Eberl (2005). Details on the relationship-driven measurement approaches can be found in Sect. 3.3.4.

3.3.1 League Tables

In 2007, the Reputation Institute identified and examined 183 public lists that provide ratings and rankings of companies in 38 countries (Fombrun 2007). Sixty-one of the lists provide a rating and/or ranking of a set of companies (most of which, also 61, were located in the US), based on an overall measure of reputation. Only two lists focus exclusively on providing ratings based on perceived quality of products or services of the rated companies. The main criteria used to rate companies in these internationally publicized reputation lists are the following (Fombrun 2007): overall reputation, workplace, citizenship, performance, leadership, innovation, governance, and products.

The first and best-known league tables of reputation for industrial and commercial companies are those published annually in the US business magazine, Fortune (Bromley 2002). League tables have existed since 1983 and are based on large data samples from executives, directors and, among others, securities analysts, who rate a selection of companies on various attributes relevant to corporate success.

The often-cited rankings in Fortune, Management Today and the Financial Times emphasize reputation criteria such as being well-known, respected and having high or low levels of financial performance or innovativeness. The most enduring and visible reputation survey in the market is probably Fortune's annual list of "America's Most Admired Companies". Similar ratings can be found in the Financial Times, Asian Business and the Manager Magazin. Since 1987, the latter has conducted surveys to measure CR. In 2000, the authorized agent performed a random CATI survey of about 2,500 executives, who were asked to rate the top 100 German companies according to the following criteria: quality of management, innovativeness, ability to communicate, environmental responsibility, financial and economic stability, product quality, value for money, employee orientation, growth rates, attractiveness to executives, and internationalization. However, the calculation of the "overall reputation index" is not explained.

Social rating agencies such as the Council on Economic Priorities (CEP) and investment funds such as Kinder, Lydenberg and Domini (KLD) also rate companies on various aspects of social performance and contribute to the current proliferation of reputational ratings (Fombrun 1998).

Stakeholders can be influenced by these lists and the visibility conferred upon them by the media. How are companies selected for inclusion in these lists? According to Fombrun (2007), none of the 183 lists are comprehensive, as various filters are applied by the rating agents, which also influence which companies are included in the lists. The "top of the mind awareness of corporate brands" (van Riel 2002, p. 368) generally refers to visibility of the company in the media, stock

quotation, size (referring to turnover or number of employees), long-establishedness and company activities of general interest (Fombrun and van Riel 2004). Some rankings include all types of companies, whereas others examine only the largest companies or focus on a certain type of industry. Among others, Gatewood et al. (1993) claim that using Fortune criteria to measure reputation is not appropriate for all stakeholder groups. They especially focus on job applicants' perception of corporate reputation, which does not seem to be correctly captured by the set of criteria. The authors conclude that any perception is a function of the information that is available to an individual at a given time. This would also not make it possible to standardize a reliable measurement model of corporate reputation.

The traditional league table approach to assessing and comparing CR faces a number of problems associated with defining and measuring reputation:

- Bromley (1993) criticizes the eight categories of Fortune magazine as being inconcise.
- A survey may not sample the stakeholder groups best informed about the company (Bromley 2002).
- The particular attributes on which respondents are asked to rate a number of selected companies vary from one survey to another (Kay 1993).

This leads to the fact that not even the results on the same company coming from different league tables are comparable. None of the above-mentioned rankings can be considered as an objective measure of CR–and particularly not in the B-to-B context.

3.3.2 The Reputation Quotient

In the definition of Fombrun and Gardberg (2003, see also Fombrun 1996, Fombrun and Rindova 1998; Fombrun and van Riel 1997), CR is a collective representation of a company's past actions and results that describes the company's ability to deliver valued outcomes to various stakeholders.

To develop a cross-national instrument to measure reputation, in 1999 the Reputation Institute created an index called Reputation Quotient (RQ) that summarized people's perceptions of companies based on twenty attributes (Fombrun and Gardberg 2002). Researchers agree that a stakeholder-specific approach can be delicate (Sobol et al. 1992; Fryxell and Wang 1994; Rindova et al. 2005) because one stakeholder group can hardly reflect the "overall perception of a firm by its stakeholders", i.e., CR (defined by Fombrun and Rindova 2000, p. 78).[1]

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[1]For recent stakeholder-specific studies, see, e.g., Wright and Fill (2001), Helm (2007), and Rindova et al. (2005). For a cross-stakeholder approach, see, e.g., Ravasi and Fombrun (2004), Rabe (2005), and Carter and Deephouse (1999).

Figure 3.5 lists the various components influencing corporate reputation. As van Riel and Fombrun (2002) explained, the six components were designed for using the RQ with any stakeholder group. So far, the collected RQs only focus on the general public (Wartick 2002), and apply mostly to “most visible” and generally known B-to-C companies. Nevertheless, Fombrun and Wiedmann (2001) assume that there are no great differences between the perception of individuals belonging to different stakeholder groups. Different perceptions between stakeholders with regard to B-to-C or B-to-B contexts are not discussed at all. Thus, with the RQ measurement concept in mind, Groenland (2002, p. 308) concludes that “a rigorous conceptual definition still lacks in this study” and that “the validity of the construct remains unclear.”

The literature has already discussed that the RQ dimensions “vision and leadership” and “financial performance” might be more important to investors than to customers (Gabbioneta et al. 2007; Fombrun and Wiedmann 2001; Reynolds et al. 1994; Caruana, 1997). Moreover, some dimensions are difficult to measure across cultures (Gardberg 2006; Walsh and Wiedmann 2004). Nevertheless, there are several empirical studies which try to measure corporate reputation based on the above components (e.g., Helm, 2007; Gardberg 2006; Walsh and Wiedmann 2004).

To construct a global database, the 20 attributes on the left side of Fig. 3.5 were grouped into six conceptual categories: Emotional Appeal, Vision and Leadership, Products and Services, Workplace Environment, Social Responsibility, and Financial Performance (Fombrun et al. 2000). This “balanced instrument for measuring reputation” was developed by reviewing the items contained in the eight most visible measures of corporate reputation, including Fortune’s Most Admired Companies, Far Eastern Economic Review and Financial Times (Fombrun et al. 2000).

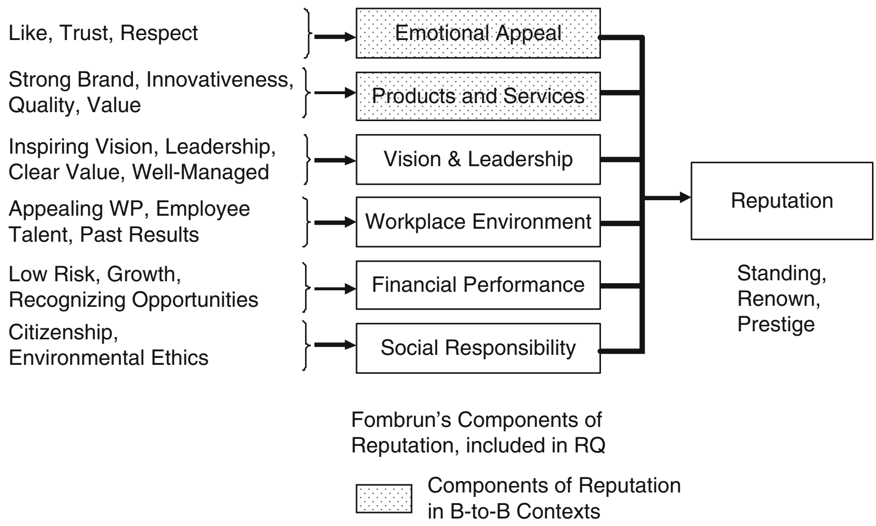

Fig. 3.5 Different components forming corporate reputations based on Fombrun et al. 2000

Table 3.2 Items and components of the reputation quotient

Emotional appeal
• I have a good feeling about this company
• I admire and respect the company
• I trust this company
Products and services
• Stands behind its products and services
• Develops innovative products and services
• Offers high-quality products and services
• Offers products and services that are good value for money
Vision and leadership
• Has excellent leadership
• Has a clear vision for its future
• Recognizes and takes advantages of market opportunities
Workplace environment
• Is well-managed
• Looks like a good company to work for
• Looks like a company that would have good employees
Financial performance
• Has a strong record of profitability
• Looks like a low-risk investment
• Is better than its competitors
• Looks like a company with strong prospects for future growth.
Social responsibility
• This company supports good causes
• Is an environmentally responsible company
• Maintains high standards in the way it treats people

From these publications, 27 items were listed and reviewed by their research partner, Harris Interactive. This company added five items, so that the item list contained a total of 32 items (Fombrun et al. 2000) (Table 3.2).

Results show that constructs referring to the components “vision and leadership”, “social responsibility” and “workplace environment” reveal more missing values than “emotional appeal” and “products and services” (Fombrun and Gardberg 2002). Possibly, with reference to organizational buyers, these so-called “general reputation drivers” (Genasi 2001; Fombrun 2001) are of no interest to these stakeholder groups, assuming they are able to judge it. The author therefore suggests that important components of CR in the B-to-B context are barely related to vision and leadership, workplace environment, financial performance or social responsibility, as B-to-B companies are simply not “most visible”, and only little is known about these companies. On the other hand, “emotional appeal” as well as “products and services” have a strong impact on a B-to-B company’s CR, even in the eyes of buying organizations.

Companies doing well in these annual RQ surveys were B-to-C companies like Johnson and Johnson, Lego, Ferrari and Microsoft. No details are published in the above papers regarding the measurement scales used, but before filling out the questionnaire, people were also asked to rank the importance of the single items determining the constructs.

Bromley (2002) notes that even though the name "Reputation Quotient" implies arithmetic attributes, Fombrun does not calculate an arithmetical quotient. According to Bromley (2002), calculating RQs or benchmarks for comparing CRs calls for a departure from the traditional league table method, but still depends on questionable assumptions about the legitimacy of psychometric assessment.

Using the dimensions of the RQ, Helm (2007) developed a formative construct of CR based on the following ten indicators: quality of products, value for money, environmental engagement, company's attitude toward employees, company growth, social responsibility and citizenship, financial performance, qualification of management, compliance with advertising promises. In addition, the constructs loyalty and own experiences were used to evaluate different stakeholders' perceptions of a company's reputation. This structural model was tested on three different stakeholder groups (shareholders, employees, and customers), and no significant differences were found regarding the company's reputation, which is located in the B-to-C setting.

The aim of the study of Helm (2007) was to create one valid construct of reputation to be used comprehensively on all stakeholder groups. However, taking into account the comments of Bromley (2002), that a survey may not sample the stakeholder groups best informed about the company, the reputation construct of Helm (2007) can not be used in the B-to-B context, as knowledge about, as well as the interest in, organizational suppliers varies significantly among the various stakeholder groups (Meffert and Bierwirth, 2002).

3.3.3 Measuring RQ in Different Cultures

Most empirical research work on CR has been conducted in the US, using US samples (Brown and Perry 1994; Fombrun and Shanley 1990; Fryxell and Wang 1994). Many of these studies were based on data from Fortune magazine's "America's Most Admired Companies", and were mostly related to CR features of B-to-C companies.

Recently, some authors have published papers using German (Dunbar and Schwalbach 2000) or Scandinavian (Aperia et al. 2004) data or conducted a qualitative analysis of CR on a cross-cultural basis (Gardberg 2006). Nevertheless, little empirical research has examined CR formation and implications in a cross-cultural or comparative context. The external validity, or generalize ability of existing empirical research related to CR in the B-to-B context is still lacking.

In 2000, the Reputation Institute initiated two empirical studies, nominations and focus groups, to explore cross-cultural validity issues. Companies examined in the course of these studies were the ones with "the most visible reputations in 12 European countries" (Gardberg 2006, p. 40). The target group of the survey comprised five focus groups averaging seven participants, with no direct customers of the companies included. The goal was to find out if CRs may or may not be functionally equivalent cross-culturally and to determine if the RQ (see Sect. 3.3.2)

could serve as a cross-cultural measure of CRs. In this context, and in line with Singh (1995) and Brislin (1980), the following cross-cultural equivalences were investigated:

- Functional equivalence – the relationship the variable has with its antecedents or consequences (Singh 1995).
- Conceptual equivalence – this term refers to whether the variable is expressed in similar attitudes or behaviors across nations.
- Instrument equivalence – whether "the scale items, response categories and questionnaire stimuli [are] interpreted identically across nations", (Singh 1995, p. 605).
- Translation equivalence – translated items measure the identical concepts to the original items (Brislin 1980).

According to Gardberg (2006), some findings of the above study were:

- The participants' replies reflect corporate branding strategies or a visible division or brand rather than the corporate parent.
- Some consumers believed that a certain product was a separate entity.
- The Dutch and British focus groups suggested additional items that were neither elements of the RQ nor items in prior CR scales.
- The role of the CEO in reputation formation was in dispute in three of the five focus groups.

The literature on cross-national differences in expectations of appropriate leadership styles suggests that charismatic leadership is not universally appreciated (House et al. 1999; Lord and Maher 1991). According to Gaines-Ross (2000), David Larcker claimed that a 10% change in CEO reputation results in 24% change in a company's market capitalization, which seems to be relevant only in the US.

Visionary leadership of a company involves a relationship between an individual (leader) and one or more followers based on leader behaviors (Waldman et al. 2004) and is related to cultural values impacting on the decision-making process: e.g., perceptions of respect, strong admiration, distance, integrity or trust. It should therefore be noted that the importance of vision and leadership on CR is also influenced by cultural values. In line with Hofstede (2001, p. 232) it is argued that leadership is more important in individualist cultures: "managers from more individualist cultures tended to stress leadership and variety, whereas those from less individualist countries tended to stress conformity and oderliness."

Following the findings of Gardberg (2006), this cross-cultural research still supports the contention that constructs and instruments developed in the US context may require review before generalizing to other institutional environments (Rosenzweig, 1994; Boyacigiller and Adler 1991). "Developing a scale for measuring corporate reputation that is cross-culturally valid will facilitate rigorous research on a valuable intangible asset" (Gardberg 2006, p. 60).

Walsh and Wiedmann (2004) measured an extended RQ, based on a qualitative analysis of CR in Germany. Study results suggest that when using the RQ model in Germany, additional variables need to be added. Walsh and Wiedmann (2004)

called for future researchers to measure stakeholders' experience as well as their involvement in the requested company. According to Walsh and Wiedmann (2004), measuring CR in Germany requires dimensions like sympathy, transparency, fairness, perceived customer orientation of the organization and stakeholder feelings of satisfaction and trust.

Using US RQ scales in CR measurement approaches in European countries, the studies of Gardberg (2006) and Walsh and Wiedmann (2004) have shown that this can not be carried out without changes or amendments in the RQ dimensions.

Interestingly, neither study argues that the differences found in CR measurement criteria between the US and Europe may be influenced or caused by cultural differences between the countries.

To the author's best knowledge, the link between a company's reputation and the national culture of buyers has not been investigated at all. Although the cultural dimension of individualism versus collectivism has been widely researched (e.g., Homburg et al. 2004; Waldman et al. 2004) and has also been linked to economic growth (Hofstede 1980, 2001, Waldman et al. 2004), up to now no empirical study crosslinked the different impact factors on reputation to the cultural backround of the country under consideration.

3.3.4 Relationship-Driven Measurement Approaches

In addition to the dominating RQ concept of Fombrun et al. (2000), there exist CR measurement approaches based on relationships drivers. In this work, the concepts of MacMillan et al. (2005) and Eberl (2006, based on the CR measurement concept of Schwaiger 2004) are introduced. Interestingly, both concepts do not measure CR directly, but use other constructs (sympathy, competence, trust, and commitment) to circumscribe it. Both concepts also try to enhance the theory of commitment and trust (Morgan and Hunt 1994).

Taking into consideration the remarks of Bromley (2002), the SPIRIT (Stakeholder Performance Indicator and Relationship Improvement Tool) approach of MacMillan et al. (2004) proposes a measure of the experiences that stakeholders have of a business. On a strategic level, the measurement criteria provide an insight into the asset-generating activities that an organization could perform or engage in to improve CR as an intangible asset. As a consequence, the SPRIT approach also follows the "visibility approach" of companies proposed by Fombrun et al. (2000). The main difference is that in the SPIRIT model of CR is located in the B-to-B context, and measures are exclusively based on the direct experiences of the stakeholders with the companies in question: a measure of stakeholders' experience of inside and outside influences of the company.

This includes experiences of what the media and pressure groups say about an organization, and is therefore focused on the constructs of loyalty and WOM. The measures can be used to assess an organization's ability to engage in asset-generating activities, such as investing in positive public relations (Money and Hillenbrand 2006).

No single construct of reputation exists in this approach. CR is measured indirectly by evaluating antecedents of commitment and trust, and ten other latent variables are included in the structural model for business relationship customers: other trust-related behaviors, compliance, loyalty, creative cooperation, material and non-material benefits, coercive power, termination costs, communication and past trust-related behavior (MacMillan et al. 2004).

The measurement concept of CR used in the study of Eberl (2006) is based on CR determinants of Schwaiger (2004). In line with the concept of MacMillan et al. (2005), no single construct of reputation is used. CR is measured by evaluating the following antecedents of competence and sympathy: quality, attractiveness, performance and responsibility (Eberl 2006). The construct of responsibility incorporates indicators like fairness, merited identity over time, credibility or corporate social responsibility. The construct of attractiveness is related to the findings of Fombrun and Shanley (1990) and refers to the stakeholders' perception based on a company's visibility in the media. As the study of Eberl (2006) is located in the B-to-C context, this can be regarded as appropriate. The goal of the study by Eberl (2006) was to develop a CR measurement concept that contains cognitive and affective components of CR. For this reason, the constructs "quality" and "performance" have also been included in the measurement concept.

3.3.5 The Need for Valid and Cross-Culturally Practicable Measures of CR

Bromley (2002) reviewed existing approaches to assessing and comparing CR such as league tables (e.g., Fortune), Fombrun's RQ, benchmarks and case study methods. With regard to the first three measurement concepts, Bromley (2002) questioned the legitimacy of the applied psychometric assessments. He had two further concerns:

- The first is his skepticism of overall scores of reputation such as the RQ of Fombrun et al. (2000) and the Fortune measures, which are derived from applying exactly the same model of reputation across different stakeholder groups and cross-culturally.

MacMillan et al. (2005) and Helm (2007) agree that this is seen as problematic, as different stakeholder groups are likely to vary regarding their values and beliefs (still without discussing cultural differences).

- Bromley's (2002) other criticism is related to reputation scores and rankings that are derived from the sum or average of scores on a number of sub-scales. Bromley recommended that there should be certain thresholds for an organization to have a good reputation including, for example, the achievement of a minimum score on product quality.

Judgment of CR is based on different issues that are important to different stakeholder groups (Bromley 2002; Wartick 2002).

The following Table 3.2 lists the measurement concepts evaluated in Sects. 3.3.2, 3.3.3 and 3.3.4. Two main actual approaches can be distinguished:

- measurement concepts based on Fortune's ranking and the dimensions of the RQ (Fombrun et al. 2000) and
- concepts, where impact factors on CR are created by relationship drivers like trust, sympathy, competence or commitment.

This study aims to extent the latter approach by cultural impact factors on CR. Nevertheless-contrary to the relationship drivers approaches of Eberl (2006), Schwaiger (2004) and MacMillan et al. (2004)-in this work one construct of reputation is used to investigate the impact factors on CR (Table 3.3).

In their book on market research, Lee and Lings (2007) point out that for the reliability of research data, it is essential to avoid asking respondents things they can not judge. As already discussed, studies have confirmed that Keller's (2003) brand influencing and building elements like brand feelings and slogans are of minor importance in B-to-B relationships. These companies are neither "most visible" nor "most admired", and are therefore hardly included in Fortune's rankings. The findings of Helm (2006) and Gardberg (2001) show that consumers usually have no detailed knowledge about the special characteristics of a company. Some stakeholders may have more profound knowledge of a firm's reputation than others (Helm, 2006). This may lead to a rather narrow view of reputational attributes, which therefore argues against the detailed formative construct of CR proposed by Helm (2007).

According to Helm (2006) and Schultz, Mouritsen and Gabrielsen (2001), respondents often use "intuition" when answering multi-faceted scales of reputation, and they are unable to discriminate between the criteria they are asked to quantify. Respondents can not remember company-specific undertakings, and everything gets lost in "a general impression of how the company performs" (Schulz et al. 2001, p. 37). No wonder Wartick (2002) called for more explanatory and predictive power while measuring reputation. No wonder Drolet and Morrison (2001) claim that even the second or third item contributes little to the information obtained from the first item.

Dutton and Dukerich (1991) examined how perceptions of identity guided individuals' interpretation of organizational features. In open-ended questions, all the respondents replied that organizational identity of a certain B-to-B company was related to a "professional organization with uniquely technical expertise", whereas only 44% connected this company's identity with "ethical, scandal-free, and altruistic", and 36% to "commitment to welfare of the region". Gestalt psychologists confirm that a holistic perception of the overall CR leads to a more intense mental effect than the summed perceptions of the single facets of CR.

While the ranking approaches are highly influenced by past financial performance data, Brown and Perry (1994) agree with Fombrun and Shanley (1990) that CR is also determined by non-economic criteria. In line with these statements, Dowling (2004) states that two major factors need to be considered while analyzing CR: a fact-oriented reputation referring to a company's financial and product

Table 3.3 Measurement concepts of corporate reputation: An overview

Strategic level	Asset generating activities	Intangible asset	Market asset/ performance/ barrier for competitors
Fombrun et al. (2000), Gardberg (2006) Walsh and Wiedmann (2004) measurement concept is based on the reputation quotient beliefs helm (2007)	Relying on visibility and uniqueness	Beliefs**:** based on Fortune's ranking: vision & leadership financial performance social responsibility products and services workplace environment attitude: Emotional appeal	Intention and behavior**:** Suggestion of a development of scales recommended for B-to-B, B-to-C
	Activities associated with the development of a monolithic reputation development of scales to measure reputation, loyalty and consumer experience	Beliefs: based on Fombrun's RQ Quality of products value for money social responsibility leadership work environment corporate citizenship financial performance qualification of management attitude: Loyalty	Intention and behavior: Development of loyalty, positive consumer experiences empirically tested in B-to-C context
MacMillan, Money, Downing, Hillenbrand (2005) concept is based on drivers in relationships Eberl (2006) Schwaiger (2004)	Outside influences of media and pressure group. Services, communications, shared values	SPIRIT approach attitude: reputation is created by trust and commitment, positive or negative emotions	Intentions: suggest scales to measure loyalty and word of mouth empirically tested in B-to-B
	Activities associated with the development of commitment	Beliefs: based on Schwaiger (2004). Reputation is created by competence and sympathy attitude: Commitment	Intention and behavior: Observe and understand what consumers want empirically tested in B-to-C

performance and an emotional reputation, based on a company's "personality" and social responsibility. According to Helm (2006), a measure of overall reputation performs rather well when integrated into a structural model that links reputational perceptions to attitudinal, intentional, and behavioral outcomes. The structural model on CR and reputation transfer introduced in this work deals with these criticisms by focusing on reputation in the particular stakeholder relationship of organizational customers. It does not seek to aggregate the scores from one stakeholder group with those from other stakeholder groups, nor does it use dimensions to quantify CR, which can not be judged by organizational customers.

Just like the SPIRIT approach proposed by MacMillan et al. (2004), the predictive power of the structural model used in this work derives from the overall pattern in each stakeholder relationship and in each of the five countries. It is the key aim of this work to achieve additional knowledge on the cross-cultural influencing factors on CR and on the possibility of transferring CR on new product ranges.

3.4 The Concept of Reputation Transfer

One of the main arguments of this study focuses on the transferability of reputation and on the question of how CR can be derived from reputations at other levels. The name of a company, as with any name, can carry and develop a complexity of associations pointing to particular reputational content (Schweizer and Wijnberg 1999). In addition, the company name can function as a reputation indicator of a group (Landon and Smith 1997). Understanding better how this transferability operates is of great importance, especially in the B-to-B context. The concept of transfer can be found in studies on "image transfer", "attitude transfer" or "affective transfer" (Ganassali and Didellon 1996; Gwinner 1997).

In this study, the transfer of reputation is also referred to as part of the knowledge resources of a company. The way a company "shares knowledge" with its customers by communicating details of new products or product ranges, is an essential part of relationship marketing (Grönroos 2000). Heider's (1958) Balance Theory refers to relations and attitudes that describe a theoretically relevant property of the knowledge structure. Heider (1958) argues that when two unlinked or weakly linked nodes (e.g., different product ranges of one company) share a first-order link (e.g., a company's reputation), the association between these two should strengthen.

As discussed before, a company's CR is built on signaling information about past and future activities (Fombrun 1996). Thus, following Heider's (1958) Balance Theory and the concept of CR, customers unconsciously transfer their attitude toward the company and its products on the new product (or product range) and, by doing so, facilitate the market entry of the new product. Facing some new or unexpected associations (e.g., a new product or product range), consumers tend to alter their perceptions in order to harmonize them (Heider 1958; Cornwell et al. 2005). A comparable process of "meanings transfer" takes place in the celebrity

endorsement process. The mental associations the new product or product range receives by transferring the reputation of the parent company, generates a positive goodwill effect among customers that translate into attitude and behavior toward the new product. In line with Keller's (2001) impact factors on brand transfer processes, Gwinner (1997) argues that the image transfer process is influenced by moderating factors such as product involvement and the degree of similarity or fit between the new product and the parent image. In this context, the perceived fit is conceptualized as the extension's perceived similarity to the parent brand and refers to dimensions such as product category and attributes, e.g., image (Keller 2003; Park et al. 1991). Keller argues that the higher the perceived fit of the new product with the parent brand, the more positive customers evaluate the extension. From a marketing communications perspective, introducing a new product as a brand extension means that the introductory campaign can concentrate on the product itself without having to create brand awareness (Keller 2003). The literature on the abstract term image transfer uses this wording differently, and mostly refers to sponsorship activities (Chien, Cornwell and Stokes 2005; Gwinner 1997; Cliffe and Motion 2005). Image transfer defined by Bruhn (2005) refers to the possibility of transferring the positive image of the sponsored person to the advertising company or related product.

To study the ways of transferring reputation also refers to external trust in a certain company (Schweizer and Wijnberg 1999), but the nature of this relationship is not immediately clear due to the lack of precise definitions of either concept. Related to the marketing context, Doney and Cannon (1997) define trust as the perceived trustworthiness and credibility of a target. In most relevant studies, the definition of reputation in some way includes the concept of credibility (Fombrun 1996; Ganesan 1994; Doney and Cannon 1997); a favorable reputation is seen as the prerequisite for the attribution of credibility or trustworthiness to a company. In this context, trust is also closely related to the way a company communicates (Schweizer and Wijnberg 1999), including assumptions about the trustworthiness of the media used.

Thus, trust can play different roles in the reputation building process, depending on the mode or media of information transmission. According to Schweizer and Wijnberg (1999), three different modes of how information about a particular entity is acquired can be distinguished:

- A stakeholder can acquire firsthand experience by direct interaction with a company. Reputation, in the eyes of this particular actor, is then influenced by gathering and evaluating company-specific information.
- Information on a specific company may be acquired in an indirect mode through an agent acting as a "reputation maker". Trust in this company can then develop based on secondhand information.
- A stakeholder can acquire information about a company by deriving and transferring it from other related entities or levels to the company.

The next subsection outlines the differences between reputation transfer and brand transfer, and also focuses on the chances and risks of these concepts.

3.4.1 Reputation Transfer vs. Brand Transfer: Chances and Risks

Introducing new products is both risky and expensive, especially without the help of an established brand. For many companies, brand extensions are part of their marketing strategies, a way to complete their product portfolio and also to meet their customers' needs (Keller 2003; Sjödin 2007). Companies try to capitalize on brands that already draw favorable attention from customers (Aaker and Keller 1990; Blichfeldt 2005). Keller (2003) identifies three choices a company can make when introducing a new product:

1. It can develop a new brand for this new product.
2. It can apply it to one of the existing brands.
3. It can use a combination of a new brand with an existing brand.

Approaches 2 and 3 describe a brand extension, when a company uses an established brand name to introduce a new product (see Fig 3.6). In the case where the parent brand is used to introduce a new product that targets a new market segment within an existing product category, a line extension has been made (Keller 2003; Kaufmann et al. 2006). A category extension is defined by the fact that the parent brand is used to enter a different product category from that currently served by the parent brand. Literature reviews by Czellar (2003), Grimes, Diamantopoulos and Smith (2002), as well as Hem et al. (2003), confirm that most research has been

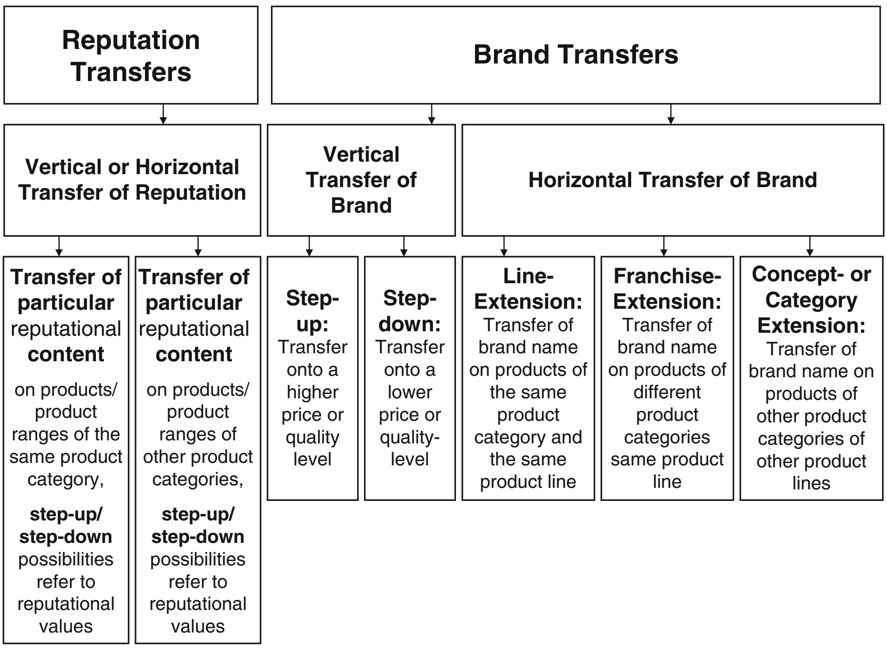

Fig. 3.6 Typs of reputation- or brand transfers

carried out on understanding the factors that determine whether customers form positive or negative attitudes toward products that are introduced through brand extensions. The conclusion of these authors is that brand extensions from well-liked brands are accepted by the customers if the new product "fits" to the existing parent brand. On the other hand, the risk of dilution or damage to the perceptual equity of the brand has been discussed (Keller and Sood 2003). A well accepted strategy to enter new markets is to take advantage of an existing brand's equity and launch brand extensions into related product categories (Aaker 1991). Thus, marketers are concerned about the negative impact that brand extensions may have on the parent brand (Schwager 2004; Keller 2003). Nevertheless, the empirical evidence on this issue is mixed. Loken and John (1993) claim that unsuccessful extensions can dilute a brand by diminishing the attribute-specific beliefs that are associated with it. Other studies find that brand equity is not diluted by unsuccessful extensions (John et al. 1998; Keller and Aaker 1992), and may even be enhanced if high-quality products are added to the brand portfolio (Dacin and Smith 1994). The concept of brand transfer needs to be separated into vertical and horizontal transfers, whereas the concept of reputation transfer unites both types of transfer, but is closely related to CR itself. A vertical step-up or step-down reputation transfer onto a lower or higher price or quality level may only be successful if this fits to the company's reputation and is closely related to its values and identity.

According to Keller (2003), typically 80–90% of new products are line extensions. With regard to the empirical study introduced in this work, the medical devices company is carrying out a category extension into pharmaceuticals. Tauber (1981) identifies seven general strategies for establishing a category or franchise extension:

1. Introducing the same product in a different form (chewing gums and chewy candy).
2. Introducing products that contain the brand's distinctive taste, ingredient, or component (a certain cake is available as a cookie).
3. Introducing companion products for the brand (Levi's jeans and sweat shirts).
4. Introducing products relevant to the customer franchise of the brand (motorcycles and bicycles).
5. Introducing products that capitalize on the firm's perceived expertise (new research products within the product range).
6. Introducing products that reflect the brand's distinctive benefit, attribute, or feature (new types of Rolex watches).
7. Introducing products that capitalize on the distinctive image or prestige of the brand (like Porsche selling not only cars, but also sunglasses, shoes and suitcases).

In this work, and in line with Helm (2007), Schweizer and Wijnberg (2004), the last strategy on the list is identified not as a brand – or franchise extension – but as a transfer of a brand's reputation: If this new product is advertised using the image or prestige of the parent brand, the reputation of a brand is transferred (see Sect. 3.4.2) (Fig. 3.6).

Table 3.4 Chances and risks of brand extension. Based on Aaker (2003)

Risks	Chances
– Parent brand is not strong enough for brand extension (weak transfer of image) – Image of parent brand does not fit to the brand extension – Only weak synergy effects regarding Marketing mix activities – Brand erosion – Negative spill-over effects on parent brand – Spill-over problem: Image problems of one product are transferred on other products – Neglecting marketing activities of the parent brand may lead to chances for competitors	– Customers transfer the positive image on a new product (“goodwill” transfer) – Advancement of publicity and trust – Synergy effects regarding marketing mix activities – Exploitation of new target groups – Enhancement of brand competence – Revitalization and consolidation of parent brand – Positive spill-over effects on the parent brand

Keller (2003) claims that the main advantage of a well-known and well-liked brand is that customers form expectations over time concerning a brand’s performance. These expectations may be transferred, in part, also to the extension product, and may lead to an improvement of parent brand image, while at the same time, reducing the risk perceived by the customer.

“When a brand extension succeeds and is accepted as a member of the extension category, the number of elements that are unique and distinctive to the parent and extension categories decreases, and the number of elements that are common between them increases” (Kumar 2005, p. 184).

As listed in Table 3.4, previous research on the effects of brand extensions have focused on whether the failure, poor quality, or low typicality of an extension has an adverse effect on parent brand evaluations (Keller 2003; Kumar 2005). Quality perceptions and other positive associations are more easily transferred to the extension product when the similarity between the two categories is high (Cohen and Basu 1987).

3.4.2 Levels of Reputation and their Transferability

The ability of transferring the organization’s positive reputation when introducing new products and services ensures its long-term success in evolving markets (Schweizer and Wijnberg 1999). Particularly in industrial markets, where function and importance of brands differ from those in consumer markets, the more general concept of transferring a company’s reputation is appropriate. Important features referring to a successful transfer of reputation can be listed as follows:

- Concept-consistency perceptions of customers rely on the extension product’s ability to accommodate the reputation concept of the parent brand. This requires the transfer of the values and identity of a company to new products and/or services and the related brands when entering new markets. Reputational content

of the corporate level of reputation may be derived from inside and outside a company's boundaries (Schweizer and Wijnberg, 1999).
- Findings (e.g., Doney and Cannon 1997; Zaheer et al. 1998) identify a positive relationship between the extent of external trust and reputation. This explains the transferability of reputational content between the individual and the corporate level. The level of individual reputation can be defined as including reputations of particular individuals who are employed by the company or who represent it, i.e., sales representatives.

As already discussed, previous studies on CR have investigated the multi-dimensionality of a company's reputation (e.g., Fombrun and Shanley 1990; Meffert and Bierwirth 2002). The transference of reputation between the individual product level and the corporate level can work both ways, either CR being perceived as a substitute for individual reputation, or vice versa (Schweizer and Wijnberg 1999). In this study, the focus is on transference from the corporation to the new product range.

With this transference pattern, the reputation of the company rubs off on the new product range; it is attributed with characteristics which are derived from the perception of the company. This mechanism has also been observed in a study where different reputations of companies forming an alliance had an impact on the level of trust between the representatives of the companies involved (Smith and Barclay 1997) and where CR generally impacted the trust in representatives of a certain company (Dasgupta 1988). To the author's best knowledge, and in contrast to brand extension literature, no theoretical framework has yet been established for the investigation of reputation transfer.

3.5 The Relevance of Direct Marketing Media to Build CR

When pursuing a relationship marketing strategy, the supplier has in mind the welfare of its customers. To generate relationship benefits, a customer needs to perceive value when consuming goods, services or information, and this can only be achieved if suppliers improve the quality of customer contacts. Therefore, a new or improved way of communicating with customers as well as the management of activities and handling of interactions is an essential part of relationship marketing (Grönroos 2000). The belief that the success of relationship marketing efforts is positively related to the amount and specificity of consumer information, however, raises questions about what media are used by the customers and if these media have an impact on a company's reputation. Saxton (1998) asserts that CR is the reflection of an organization over time as seen through the eyes of its stakeholders and expressed through their thoughts and words. Therefore, the company's responsibility is to shape those thoughts and words (Forman and Argenti 2005).

In an age of 24/7 media coverage, the Internet, and always-on communications, coupled with the growing interest in sentational news, companies and even entire

industries have to face the influence of direct marketing media and WOM on reputation. Nevertheless, to the author's best knowledge, the connectivity between direct marketing media, reputation and reputation transfer has not yet been empirically investigated. This chapter highlights the importance of corporate communication and direct marketing media in building corporate reputation (CR) and introducing new product ranges.

Corporate communication (CC) can be defined as "an instrument by means of which all consciously used forms of internal and external communications are harmonized as effectively and efficiently as possible to create a favorable basis for relationships with the groups upon which the company is dependent" (van Riel 1995, p. 26). In general, the literature on CC focuses on the value of corporate communication to brand management and reputation management (Forman et al. 2005) as an important means of targeting or informing stakeholders (Wiedmann and Prauschke 2006, Dentchev and Heene 2004).

Corporate image and CR are driven mostly by the need to offer good value to the stakeholders, corporate communication plays an important role in image formation (Dowling 2001): It can publicize an organization's strengths and successes and help position the ideal image of the company, the brand or the product.

Direct marketing is a special, individual aspect of classic marketing (Wagner and Parwoll forthcoming). It is the tool for informing and targeting customers, for example, and involves all sorts of marketing media meeting the requirements, expectations and interests of stakeholder groups (Mann 2004). Direct response marketing media focus on direct contact to target groups like customers and opinion leaders, among others (Krafft et al. 2007).

Direct marketing media can be used to reach all stakeholder groups, possibly with different messages: to influence the interpretations and perceptions of stakeholders, for example (Rindova and Fombrun 1998, Forman and Argenti 2005). Knowledge about what media customers use to be informed about new products and services is essential for companies to use these media efficiently for reputation building. Bruhn (2003) distinguishes three types of direct marketing:

- Passive direct marketing, used specifically to introduce new products, is characterized by only a small degree of individualization (mailings, mail packages including brochures, etc.). Generally, the consumer is given no possibility for response.
- Response-oriented direct marketing offers the possibility to react (see-and-write-card, electronic newsletters, mailings, Internet sites with integrated possibility to react, and online hotlines). Regarding electronic newsletters, the degree of individualization may vary, and the kind of information sent can be selected and requested by the addressee (Mann, 2004). However, the way to react is determined by the sender, which restricts individual communication.
- Interaction-oriented direct marketing is individually designed. Face-to-face communication, telephone calls, meetings during fairs, Internet relay chats, and via virtual communities. Both communication partners need to act flexibly to avoid an ineffective or sudden end.

Studies by Wiedmann (2004) and Dowling (2001) confirm that a company's communication policy influences public CR. Also, Fombrun and Rindova (1998, p. 210) note that "communications that make a firm transparent enable stakeholders to appreciate the firm's operations better, and so facilitate ascribing to a better reputation".

3.6 Defining and Quantifying Culture

This section aims to propose a definition of culture and highlight its impact on buying behavior in organizations. It also gives a short overview of different cultural approaches and focuses especially on Hofstede's cultural values. The last subsection highlights the cultural particularities of the countries involved in this survey.

Increasingly, international markets create not only opportunities but also challenges for companies in B-to-B markets (Homburg et. al. 2005). More open and integrated markets make it more complex to understand customer needs and to what extent culture affects relationships. Culture, which supports openness of communication and involvement in decision making and sharing of information, will also encourage and reward trustworthy behavior (Firth-Cozens 2004) and relationships.

Thus, when its customers are located in various countries, companies must be responsive to local cultures (Bower 2005). Corporate culture influences managers' perceptions and motivations (Barney 1991), corporate identity affects how managers both interpret and react to environmental circumstances (Dutton and Dukerich 1991). Shared cultural values and a strong sense of identity therefore guide managers, not only in defining what their companies stand for, but also in justifying their strategies for interacting with key stakeholders (Porac and Thomas 1990).

How to define culture? Taylor provides one of the earliest definitions of culture: "...the complex whole which includes knowledge, belief, art, morals and custom and any other capabilities acquired by a man as a member of society." (1871, in McCort and Malhotra 1993, p. 97). Kroeber and Kluckhohn argue that "Culture consists of patterns, explicit and implicit, of and for behavior acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiments in artifacts. The essential core of culture consists of traditional (i.e., historically derived and selected) ideas and especially their attached values. Cultural systems may, on the one hand, be considered as products of action, and on the other, as conditioning elements of further action." (Kroeber and Kluckhohn 1952, in Brislin et al. 1973, p. 4).

In the literature, national culture is defined as the values, beliefs and assumptions learned in early childhood that distinguish one group of people from another (Beck and Moore 1985; Hofstede 1991). This definition corresponds to Hofstede's (1991) notion of national culture as software of the mind and with Jaeger's (1986, p. 179) "common theories of behavior or mental programs that are shared". National culture is embedded in everyday life. In this work, "national culture" is defined in

line with Hofstede (2001) as the homogeneity of characteristics that separates one human group from another, provides a society's characteristic profile with respect to norms, values, and institutions, and affords an understanding of how societies manage exchanges.

There is empirical evidence that national cultures vary and that a variety of management practices, including strategic decision making (Schneider and DeMeyer 1991; deMooij and Hofstede 2002; Homburg et al. 2005) and leadership style (Dorfman and Howell 1988) are influenced by cultural impacts. These studies indicate that different cultures are likely to interpret and respond to the same strategic issue in different ways. Strategic issues are external and internal events, conditions or trends of an organization which affect the company's performance (Schneider and DeMeyer 1991). However, the impact of culture often tends to be neglected in the investigation into different stakeholder attitudes (e.g., Gardberg 2002; Walsh and Wiedmann 2004).

Attempts to understand cultural systems traditionally focus on values (Burgess and Steenkamp 2006). Cultural value priorities affect behaviors that interest marketers by shaping and justifying individual, group, and organizational beliefs and goals. The cultural framing of vendors and customers impacts all types of businesses, and consequently also has an impact on the success of reputation transfer.

The culture of the national environment in which an organization operates affects the management process through the collective mental programming of its members and managers (Trompenaars and Hampden-Turner 1997). Culture, according to the above definition, is neither observed nor measured directly. Instead, indicators, grasping particular aspects of the knowledge reservoir, are considered. A quantification of culture according to this definition is essential to derive sound results which are superior to conceptual considerations and anecdotal evidence.

Although in relationship marketing literature, the concepts of trust, commitment and knowledge resources play an important role, researchers have yet to gain an understanding of the influence of national culture on theses key resources (Griffith et al. 2006; deMooij and Hofstede 2002). Researchers have explored the influence of national culture on specific relationships or knowledge constructs (e.g., Doney et al. 1998). Prior research has largely overlooked the influence of national cultures on the development of relationships between suppliers and buying organizations.

The failure to address national culture's influence on reputation building and the different uses of direct marketing media has resulted in limited theoretical and managerial insights into how culture influences a company's intangible resources. Moreover, much of the existing international business research on customer relationships consists of single-country studies (Griffith et al. 2006), and research work focused on CR has been mostly conducted in the US (Fombrun 2007).

The competitive advantages regarding relationship marketing derived from correctly adapted management practices come from the congruence between management practices and the characteristics of customers' national culture: better performance outcomes (Denison and Mishra 1995). Given the existing literature's limitations, this work makes its contribution by specifically addressing the following research questions:

- Does national culture influence the impact of a company's reputation on organizational buying decisions?
- Does national culture influence the possibility of transferring a company's reputation on new product ranges?

To answer these questions, Hofstede's (2001) multidimensional, national cultural framework is integrated in the survey to theorize differences in relationship resources (i.e., the influence of relationship quality on word of mouth, reputation and reputation transfer), and knowledge resources (i.e., the influence of perceived innovativeness on reputation) in intercultural B-to-B buyer-seller relationships. Given the theoretically meaningful national cultural distinction between Russia, Australia, Germany, Finland and Spain, and the continued importance of business relationships between a German-based company and companies in other countries, understanding how organizational buyers from other countries perceive a company's reputation has significant theoretical and managerial implications.

3.6.1 Cultural Frameworks–an Overview

A lot of different models of national culture can be found in the literature assuming that societies vary along specific cultural dimensions. Kluckhohn and Strodtbeck (1961) classified cultures in terms of value orientation. Dimensions included in their framework were: the nature of people, a person's relation to nature and to others, time and space orientation, and doing versus being.

The Rokeach Value Survey (RVS) is a survey instrument introduced by Rokeach (1969) to operationalize the value concept. The RVS is characterized by two different kinds of values: instrumental values apply to many different countries and are socially desirable, while terminal values refer to idealized end states of existence or lifestyles. Clearly, the value of being broadminded is the antagonism of being dogmatic in the sense of Rokeach (1973).

The latest studies based on the Rokeach Value Survey are related to ethical questions (Marques 2009; Sheppard and Young 2007) or refer to gender differences (Kracher and Marble 2007; Stedham et al. 2007).

Hall (1976) separates cultures into high- and low-context and refers to the impact of context on how communication occurs within a culture. Triandis (1994) argues that cultures differ with regard to the information they gain from the environment. He classifies culture types in simple versus complex, individualist versus collectivist, and tight versus loose. During the 1990s, several studies were published based on Hall's cultural framework (e.g., Singelis and Brown 1995; Gudykunst et al. 1996).

Trompenaars and Hampden-Turner (1998) refer to universal problems that lead to corresponding cultural dimensions: Individualism versus communitarianism, universalism versus particularism, specific versus diffuse, affective versus neutral, achievement versus ascription, and so on. The basic assumption is that the culture

of any country becomes salient in dealing with the following three main problems: employees' attitude toward their fellow men, time and the environment.

Most recent cultural studies based on the cultural dimensions of Trompenaars and Hampden-Turner (1998) refer to cultural effects on job satisfaction and organizational commitment (Lok and Crawford 2004) as well as on information technology usage behavior (Calhoun et al. 2002) or business ethics (Moon and Woolliams 2000).

The Schwartz Value Survey (1994) is based on an empirical study of over 60,000 individuals in 63 countries worldwide. In this approach, the responses are characterized by ten motivational values and seven cultural-level dimensions. Each of these dimensions is a composite index of a set of values which varies according to the culture.

Studies of other scholars based on the Schwartz Value Survey were mostly published in the 1990s and refer to managerial work values. More recent studies have been published by Schwartz himself (Schwartz and Boehnke 2004), evaluating the structure of human values.

Although each of the above cultural frameworks has certain advantages, this work focuses on four of the five dimensions identified by Hofstede (2001). Hofstede's model is generally accepted as the most comprehensive (Kogut and Singh 1988) and remains the dominant, most cited model of culture used in international business research (Kirkman, Lowe and Gibson 2006; Griffith et al. 2006; Homburg et al. 2005). Hofstede (2001) used a work-related context and originally applied his framework to human resources management. The framework is increasingly being used in business and marketing studies to compare cultures, to support hypotheses, and as a theoretical framework for comparing cultures even if the dimensions are measured with new or adopted instruments (e.g., Milner et al. 1993; Homburg et al. 2005; Griffith et al. 2006; Lu et al. 1999).

The work of Hofstede (2001) is most applicable to this study, because the norms and value approach underlying Hofstede's framework is directly related to the attitudinal and behavioral approach in the current study (see Doney et al. 1998). One major criticism of Hofstede's assessment of culture is that the scales assess national organizational culture, but since this application domain is selling products to hospitals, this feature is an advantage in this application. The organizational context has been identified as important for research examining individual responses concerning job-related attitudes (Rousseau 1978; Sutton and Rousseau 1979). As in Hofstede's original survey, organizational members are involved in this empirical research project (purchasers, pharmacists and product users like doctors and nurses). His conclusions regarding "cultures in organizations" are therefore applicable.

Generally, the model's validity, reliability, stability and usefulness have been confirmed over time (Hofstede 2001; Newburry and Yakova 2006). Four indices of culture were developed during the 1960s and 1970s based on surveys of IBM employees: power distance (PDI), uncertainty avoidance (UAI), individualism (IDV) and masculinity (MAS). As only Western countries were included in the survey, the fifth dimension, long-term orientation, which focuses on virtues leading

to future rewards, versus short-term orientation, referring to virtues associated with the past and the present, has not been taken into account. The scores of this dimension do not vary significantly in Western cultures. The next chapter explains the different dimensions in more detail.

3.6.2 Hofstede's Cultural Dimensions

To quantify cultural differences in the relationship between key company resources and customers' attitude toward the company, Hofstede's (2001) multidimensional, national cultural framework is used in this work. According to the classic definition of Hofstede (2001, p. 9), culture is a "collective programming of the mind that distinguishes the members of one group or category of people from another". Hofstede (2001, p. 15) also clearly distinguishes between values and culture: "In studying 'values', we compare individuals, in studying 'culture', we compare societies."

Hofstede (2001) identified five dimensions along which countries can be classified: power distance index (PDI), individualism (IDV), uncertainty avoidance index (UAI), masculinity (MAS) and long-term orientation (LTO). He argues that a country can be positioned along these five dimensions to provide an overall summary of its cultural type. Hofstede's five dimensions are describes as follows:

PDI is the way that society addresses inequalities among people when they occur (Homburg et al. 2004). This dimension describes the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally. This represents inequality (more versus less), but defined from below, not from above. According to Hofstede (2001, p. 29), PDI is related "to the different solutions to the basic problem of human inequality."

IDV refers to how people in a society perceive themselves in relation to others. Individualism versus collectivism refers to the degree to which individuals are integrated into primary groups (Hofstede 2001). The word "collectivism" in this sense has no political meaning: it refers to the group, not to the state. The level of individualism or collectivism in a society affects the organization's members' reasons for complying with organizational requirements. A meta-analysis by Bond and Smith (1996) indicates that collectivist cultures tend to show higher levels of conformity than individualistic cultures, whereas individualistic cultures place higher emphasis on individual initiative (Hofstede 2001). Thus, this cultural dimension is the most commonly used to study, compare and explain organizational behavior in B-to-B or B-to-C settings (e.g., Homburg et al. 2004).

Masculinity (MAS) versus femininity, refers to the distribution of emotional roles between the genders, which is another fundamental issue for any society to which a number of solutions are found. According to Hofstede (2001), masculinity is the degree to which a society exhibits assertive versus nurturing behavior. In the sense of Hofstede, masculinity and femininity refer to the dominant gender role patterns in the vast majority of traditional and modern societies. Hofstede's (1980)

studies reveal that women's values differ less across societies than men's values. In cultures with high scores in MAS, the dominant value is success; masculine values reflect emphasis on work goals, assertiveness, and earnings (Hofstede and Associates 1998; Srite and Karahanna 2006). Status, performance, competitiveness, independence and achievement are also important in cultures with high scores in MAS, and role differentiation between males and females is large (de Mooij 1998). The dominant values in countries with low scores in MAS care for others and value quality of life, status is not so important. Role differentiation between males and females is small.

UAI measures the degree to which societies perceive themselves as threatened by uncertain, risky, ambiguous, or undefined situations (Homburg et al. 2004). According to Hofstede (2001, p. 29), UAI is related to the "level of stress in a society in the face of an unknown future." People in uncertainty avoiding countries are more emotional and motivated by inner nervous energy. The opposite type, uncertainty accepting cultures, are more tolerant of opinions which differ from their own, and they try to have as few rules as possible. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. Unstructured situations are novel, unknown, surprising, and unusual (Hofstede 1980). Uncertainty avoiding cultures try to minimize the possibility of such situations by strict laws and rules, safety and security measures, and on the philosophical and religious level by a belief in absolute truth: "There can only be one truth and we have it" (de Mooij 1998). In terms of information processing and persuasion, uncertainty-oriented individuals tend to process arguments and use few heuristic cues (Petty and Cacioppo 1981). On the other hand, certainty-oriented individuals engage in less systematic information processing and rely more on heuristic cues.

Above Table 3.5 outlines Hofstede's dimensions. Hofstede (2001) added a fifth dimension after conducting an additional international study with a survey instrument developed with Chinese employees and managers. This dimension, long-term orientation (LTO), based on Confucian dynamism, was applied to 23 countries. Hofstede's five dimensions can also be found to correlate with other country, cultural, and religious paradigms.

Four out of the five countries included in the survey are Western-type countries; according to Hofstede (2001), all five countries score similarly in LTO and are short-term oriented. For this reason, this dimension has been excluded from the evaluation of the survey.

Although Hofstede's (2001) dimensions provide a way to classify a country's culture, countries share similarities as well as differences across cultural dimensions. Selecting the countries included in the survey, one goal was to find five countries which differ significantly regarding the scores of Hofstede's dimensions.

In the field of RM, the existence of trust and commitment between the parties, as well as the intense exchange of information, are considered to be important for business relationships (Homburg and Krohmer 2006; Huff and Kelley 2003; Morgan and Hunt 1994). An important question is whether societal culture influences the tendency of individuals and organizations to trust (Huff and Kelley 2003).

Table 3.5 Hofstede's scores regarding the five countries included in the survey Based on http://www.geert-hofstede.com

Individualism (IDV) vs. collectivism	Masculinity (MAS) vs. femininity	Power distance (PDI)	Uncertaintyavoidance (UAI)
Australia: 93	Germany: 72	Russia: 93	Russia: 95
Germany: 73	Australia: 68	Spain: 50	Spain: 80
Finland: 68	Spain: 48	Australia: 32	Germany: 60
Spain: 53	Russia: 36	Germany: 30	Finland: 54
Russia: 39	Finland: 30	Finland: 28	Australia 48

Above Table 3.5 outlines Hofstede's dimensions. Hofstede (2001, p. 159) argues that trusting someone "implies some tolerance of ambiguity and a potential loss of control." Thus, he concludes that cultures scoring low in the dimension of uncertainty avoidance (UAI) tend to trust others more easily. Griffin (1975) suggests that the protection of one's reputation is a force for being trustworthy. In addition, Hofstede (2001) argues that preferential treatment of one customer over others is considered bad business practice and unethical in individualist societies. In collectivist societies, to treat one's friends better than others is natural and ethical, and sound business practice. Hofstede's (2001) findings on business practices imply that the importance and the impact of a positive reputation differ across cultures, although this topic is not explicitly discussed in his study. "Although supplier commitment is not a necessity in most B-to-B relationships, it benefits the customer by reducing uncertainty" (Homburg et al. 2005, p. 9). Uncertainty is more prevalent in cultures scoring high in UAI; according to Hofstede (2001), these countries show more fear of the unknown and more fear of tomorrow. "In collectivist societies, the personal relationship prevails over the task and over the company and should be established first" (Hofstede 2001, p. 239). In contrast, in individualist societies, the task and the company prevail over any personal relationships. Commitment influences the supplier evaluation process and serves as a choice criterion that qualifies one supplier over the others. Nevertheless, a supplier's commitment is not a qualifier during partner selection, because the enduring desire and effort to maintain a valued relationship is not a necessary condition for all B-to-B relationships. Homburg et al. (2004) claim this to be an additional "nice-to-have" feature.

3.6.3 Hofstede's Cultural Characteristics of Countries under Consideration

According to Hofstede (2001), organizations are symbolic entities working according to implicit models in the minds of their members. The crucial dimensions are power distance and uncertainty avoidance. Power distance has an impact on "who decides what, and uncertainty avoidance is involved in answering the question how one can ensure that what should be done will be done" (Hofstede 2001, p. 375). Therefore, national culture, in which an organization operates, affects the

management process through the collective mental programming of its members and managers (Trompenaars and Hampden-Turner 1997).

This chapter highlights the cultural differences and characteristics of the five countries included in the survey. As the establishment of commitment is fundamental to a company's success in its operations (Morgan and Hunt 1994; Griffith et al. 2006), special attention is focused on differences in the underlying intercultural associations of relationship resources (i.e., the attitude toward trust and commitment, and relationship quality), knowledge resources (the importance of information sharing: WOM, use of media, perceived innovativeness of a company) and their linkage (i.e., the influence of relationship quality or innovativeness on WOM).

3.6.3.1 Australia

The Geert-Hofstede analysis for Australia reflects the high level of individuality. This refers to a preference for a loosely knit social framework in which people are supposed to take care of themselves and their families (Hofstede 1980). The Individualism (IDV) index for Australia is 93. This individuality is reinforced in Australian's daily lives and must be considered when traveling and doing business in their country. Privacy is considered the cultural norm and attempts at personal ingratiating may meet with rebuff. Although trust is more easily developed in lower UAI societies like Australia (Hofstede 2001), it is difficult for trust to transfer from one entity to another (Doney et al. 1998).

Given this cultural foundation, Australian companies are expected to attempt to minimize social interdependence in its interactions with others (Hofstede 2001; Triandis 1994). Companies "tend to focus on benefits to the individual" (Cutler et al. 1997, p. 43). People in highly individualistic cultures like Australia tend not to follow norms (Roth 1995). Although companies from this cultural type engage in relationships, they tend to restrain themselves from fully trusting their partners to minimize potential opportunistic behavior of others, to whom they are not strongly tied by cultural norms or group goals (Griffith et al. 2006). Although trust builds commitment, in strong individualistic societies, full commitment to its interorganizational partners is difficult to achieve (Hofstede 2001).

Australia, Finland and Germany are countries with small power distance (indices between 28 and 32), compared to the world average of 55. This is indicative of a greater equality and low hierarchy ranks across societal levels, including government and organizations. It reinforces a cooperative interaction across power levels and creates a more stable cultural environment.

3.6.3.2 Finland

The Geert-Hofstede analysis for Finland reflects extremely low levels in MAS (index of 30) and PDI. This is indicative of a very feminine country with low hierarchy levels. Finnish society, which is based on a strong need for technology

(less traditional agriculture), fosters openness with information and welcomes innovations and changes. Decision structures are decentralized, managers are involved in relevant purchasing decisions (Hofstede 2001). As Finland also scores very low in UAI, the uncertainty inherent in life is easily accepted, and people have a trusting attitude toward others.

3.6.3.3 Germany

In this survey, Germany scores highest in MAS (72) and second lowest in PDI (30) compared to the other countries involved. Germany can be viewed as a very masculine society, which nevertheless has low hierarchy levels. Individualistic cultures, which tend to focus on individual benefits, typically value personal achievements (Hofstede 2001), and consumers expect greater supplier flexibility to meet their individualistic needs (Salter and Niswander 1995). Employees are expected to act as "economic men" and commitment to the organization is higher than in cultures scoring low in IDV. Individualistic societies tend to see advertising as a useful source of new product information and rely on the media. In these societies (Germany, Finland, and Australia), a larger share of public and private money is spent on healthcare.

According to Hofstede (2001), cultures scoring low in UAI are expected to show more confidence in the advertising industry, although these societies are more concerned with data and facts.

3.6.3.4 Russia

The Geert-Hofstede analysis for Russia indicates just estimated scores. Russia was not included directly in Hofstede's country survey. The analysis reflects the extremely high level in UAI (index of 95) and PDI, with an index of 93. Countries scoring high in UAI show low professionalism, high uniformity, high conservatism, high secrecy (Salter and Niswander 1995) and stronger interpersonal and interorganizational ties (Money et al. 1998). Authority is based on tradition, and as decision structures are centralized, managers rely on formal rules (Hofstede 2001). What is different, first of all, is that dangerous innovations can be successful simply if they are supported from upper hierarchy levels. Information is constrained by hierarchy. These cultures tend to focus more on problem solving and prevention as well as on control (Roth 1995).

In this study, Russia is the society scoring lowest in IDV (index value: 39). According to Hofstede (2001), this leads to relying on social networks for information rather than using the media as a useful source of new product information. Concerning the presentation of data and facts, feminine cultures are more interested in "the stories behind the facts" (Hofstede 2001, p. 311). DeMooij (1998, p. 71) claims that the skepticism of feminine cultures like Russia and Finland toward advertising stems from their markets having been "swamped by advertising

reflecting US masculine values, thus advertising is not made for the local culture and is not liked." The masculine orientation of imported advertising from the US is a lesser problem for other masculine markets such as Australia and Germany.

3.6.3.5 Spain

The Geert-Hofstede analysis for Spain indicates that it is an average society in terms of the dimension of MAS, scoring high in UAI and above average in PDI. Low scores in IDV lead to low commitment of employees toward the organization. In business, personal relationships prevail over task and company. Members of Spanish society believe in collective decisions. Persons in low IDV societies tend not to believe in advertising or other direct marketing media, but in social networks for information. Innovations are less important, and fewer invention patents are granted within these societies. According to Hofstede's (2001) findings, in Spain and Russia less money is spent on healthcare.